A Merry Christmas

The COMMERCIAL and FINANCIAL CHRONICLE

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EDITORIAL

As We See It

The general order of magnitude of our rearmament effort in the months and even years ahead appears for many practical purposes to have been determined. How rapidly we shall succeed in diverting our materials and our manpower to this purpose remains, of course, to be determined by events, but unless some factor enters the situation which is not now present or foreseeable, a very substantial part of our labor and capital will be devoted to rearmament and what might be termed remilitarization of our manpower as soon as we are able to effect the change.

This state of affairs and this outlook bring at once into the foreground the old, old question of inflation and the means by which it is possible to avoid it or at all events reduce it to a minimum. The President has now qualified his demand for a pay-as-we-go plan of procedure by adding the phrase: "as nearly as possible." Appeals, plainly officially inspired, are being made to the rank and file to buy government obligations in order that the Treasury may be able to avoid borrowing from the banks, the explanation being appended that sale of bonds to the banks is "inflationary" while sale of bonds to Tom, Dick and Harry is not "inflationary."

The obvious financial difficulties by which we are soon to be faced and the about equally obvious lack of sound leadership by the powers that be, render it imperative that the thoughtful elements in the population make sure that they are thinking straight on this somewhat elusive

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Planned Inflation and Synthetic Prosperity

By JAMES E. SHELTON*
President, American Bankers Association,
President, Security-First National Bank, Los Angeles

ABA President, contending much of current inflation is "government induced" to create "synthetic prosperity," denies bank credit policies played a part in it. Attacks low interest rate policy and contends government credit agencies have over-extended credits, inducing inflation. Sees dangers threatening stability of our political and economic life, and concludes job of combating inflation should be shared by all segments of economy.

Today, on the international scene the stakes which are being played for are tremendous. They involve the preservation or the loss of the most precious heritage which men have striven for through the centuries. Civilization and humanity are at stake. The basic issues are simple, and the major lines are clearly drawn. The whole American system and way of life are predicated upon the recognition of the dignity and the freedom of the individual. Our Declaration of Independence declares that all men are endowed by their Creator (not by any man or group of men at the moment in control of a government—but by their Creator) with certain inalienable rights including life, liberty, and the pursuit of happiness, and that to secure these rights, governments are instituted among men. The other philosophy is the antithesis of all that we hold dear in life. It would turn the hands of the clock of time back through the centuries

James E. Shelton

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*An address by Mr. Shelton at the Third National Credit Conference of the American Bankers Assn., Chicago, Ill., Dec. 14, 1950.

National Crisis Policies

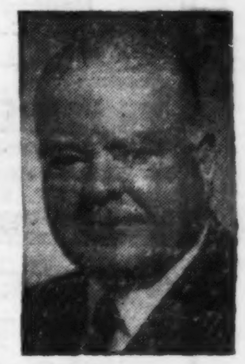
By HERBERT HOOVER*
Former President of the United States

Holding UN have been defeated in Korea, and Continental Europe, even with U. S. aid, has not yet developed unity necessary for its own defense, Mr. Hoover, warning against appeasement, advocates arming only our own air and naval forces to teeth. Says Japan should be given independence and arms, and recommends our expenditures be greatly reduced, the budget balanced, and nation freed from inflation. Says prime defense of Western Europe rests with those nations and not on U. S. Sees no reason for hysteria.

I have received hundreds of requests that I appraise the present situation and give my conclusions as to our national policies. I speak with a deep sense of responsibility. And I speak tonight under the anxieties of every American for the nation's sons who are fighting and dying on a mission of peace and for the honor of our country.

No appraisal of the world situation can be final in an unstable world. However, to find our national path we must constantly reexamine where we have arrived and at times revise our direction.

I do not propose to traverse the disastrous road by which we reached this point.



Herbert Hoover

The Global Military Situation

We may first survey the global military situation. There is today only one center of aggression on the earth. That is the Communist-controlled Asian-European land mass of 800,000,000 people. They have probably over 300 trained and equipped combat divisions with over 30,000 tanks, 10,000 tactical

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*An address by Mr. Hoover over Mutual Broadcasting System, Dec. 20, 1950.

PICTURES taken at the Silver Anniversary Dinner of the New York Security Dealers Association on December 8 at the Waldorf-Astoria Hotel, appear on pages 21, 22, 23 and 24.

The Security I Like Best

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)

This Week's Forum Participants and Their Selections

ALBERT H. DEUBLE

Partner, Oppenheimer & Co., Members of New York Stock Exchange

American Power & Light

Special situations have the advantage of providing a cheap kind of insurance in case of market setbacks. This is important at a moment when the averages have reached their highest point in many years. However, the number of securities offering a sheltered position and providing special protection is shrinking more and more.

Albert H. Deuble

In the shares of American Power and Light we find one of the few remaining liquidating situations in the utility field. The common stock of Washington Water Power Company, the chief remaining asset, may very soon be sold to public authorities or, if not, distributed to stockholders. The valuation of this subsidiary will largely determine the liquidating value of American Power and Light. American Power and Light currently selling around 16 offers a discount of 25% to 40% per share. The stock is considered an attractive discount situation, affording a 6.2% return pending consummation.

The capitalization is very simple: There is no Funded Debt ahead of the 2,342,411 common shares outstanding. American Power and Light formerly was in the Electric Bond and Share group, which originally owned 31.15% of subject company's common stock and now has only a small interest. The SEC, on Aug. 22, 1942, directed that the existence of the American Power and Light Company be terminated and the company dissolved. Pursuant to this order, the company on Feb. 15, 1950 distributed all of its common stock holdings in Florida Power and Light, Minnesota Power and Light, Montana Power, Texas Utilities and its new capital stock to holders of its $6 and $5 preferreds and old common stock.

The Washington Water Power Company, 99.9% owned by American Power and Light, supplies electric light and power service in Spokane and 180 other communities in eastern Washington and northern Idaho all of which have shown substantial growth since 1840. In 1949, approximately 95% of total operating revenues was derived from electricity and the remainder from water and steam heat.

Capitalization consists of $19 million of first mortgage bonds, 35,000 shares $6 preferred and 2,541,800 shares of a no par value common stock. Washington Water Power presently disburses dividends at the rate of $0.25 quarterly to American Power and Light. If the indicated $1 annual dividend is capitalized at 6%, a value of better than $16.50 is derived for the common stock, equivalent to $17.85 per share of American Power and Light. For the 12 months period ended Sept. 30, 1950, net income totalled $3,061,322, equal to $1.12 per common share.

There have been various reports that this subsidiary may be sold to public authorities in the State of Washington, where public power has become increasingly popular. It is believed that this property may be eventually sold, perhaps in the not too distant future, for prices ranging between $40 million and $55 million. Such figures indicate that Washington Water Power may have a value of between $17 and $23 per American Power and Light share.

American Power and Light also owns 100% of the outstanding common stock of Portland Gas and Coke Co. This company owns a gas manufacturing plant at Portland, Ore., and four propane-butane plants in Oregon and Vancouver, B. C. The SEC has directed that Portland Gas must be disposed of within one year of the consummation of that company's recapitalization plan, now before the SEC. Oral arguments are now being held before the SEC.

Portland reported net income of $662,608 for the 12 months' period ended Sept. 30, 1950. If these earnings are evaluated at 8 and 10 times, a value of $5,300,864 and $6,626,080, respectively, may be derived. After satisfying Portland's preferred stock, American Power & Light's holdings would have a value of between 25 cents and 50 cents a share.

American Power and Light's net working capital consists almost entirely of cash and temporary cash investments, and totals almost $9,000,000, equal to $3.70 per share. We tabulate below the estimated workout value of American Power and Light, taking into consideration the various possibilities mentioned above.

The risks of the situation appear small, since current prices are amply supported by earnings and dividends without regard to the discount from liquidating value.

	Estimated Value	Approx. Value Per Share AP
Washington Water Power at $16.50 per sh.	$41,939,700	$17.85
Washington Water Power at sale price of	40,000,000	17.00
Washington Water Power at sale price of	55,000,000	23.00
Portland Gas & Coke at 8 times earnings	231,060	.25
Portland Gas and Coke at 10 times earnings	463,826	.50
Net working capital	8,463,008	3.70
Range of values	$20.95 to $27.20	

H. I. JOSEY

Partner, H. I. Josey & Co., Oklahoma City, Okla.

Oklahoma Gas and Electric Company

For those seeking common stocks of companies which provide continuous income, with satisfactory growth possibilities, I would select one of the several electric operating utility companies.

H. I. Josey

As a class these securities are less volatile than those of industrials and rails. The utility industry is dynamic. Management, by and large, has proven farsighted and aggressive in expanding facilities to meet ever increasing demands for service.

I like Oklahoma Gas and Electric Company common stock. The company is completely integrated and strategically located geographically. It enjoys excellent relations with the public it serves. Management is young, intelligent and aggressive. There is a degree of leverage in the common stock. Physical properties are relatively new and maintained to a high degree of efficiency. Great quantities of low cost fuel are available for power generation.

The company, incorporated in 1902, distributes electricity to 228 communities in Oklahoma and Western Arkansas, and supplies wholesale service to 15 communities and 18 rural cooperatives. Although the company retains the name "Oklahoma Gas and Electric Company" because it is so well and favorably known, its revenues are derived entirely from the sale of electricity. It serves a territory which consistently enjoys a healthy growth, the largest city being Oklahoma City (population 242,450). The largest cities in the system gained 22% in population the past 10 years. Since 1945 customers served have increased 42% as compared to 25% for the industry nationally. Total revenues increased 45%, and net earnings 97% in this period.

Major sources of income of the area served are well diversified, being derived from agricultural products, livestock, small manufacturing enterprises and the petroleum industry. Though Oklahoma is widely known as an "oil state" over 90% of the company's revenues is derived from sources other than the petroleum industry.

Generation, transmission and distribution facilities form a completely integrated and interconnected system, with physical connections to other utility companies' lines in the Southwest. Over 90% of the power sold is generated in company-owned steam generating stations, located near the center of vast natural gas supplies. Oklahoma-mined coal is available as an alternate fuel. Fuel costs are less than one-half of those for the industry nationally.

Recently the company placed in operation a new generating station of 50,000 kw. capacity near Oklahoma City. A similar unit is being installed, scheduled for operation in February, 1951. Upon completion of this installation total capacity of the system will be 370,000 kw.

The executives of Oklahoma Gas and Electric Company are capable and skilled young men, under 50 years of age for the most part, but with long years of service and experience. Sound management has fully recognized its responsibilities to the communities served, and the importance of fair treatment to its customers. The rewards have been generous. No property operated by the company has been acquired by a municipality. During the past five years it has been granted franchise renewals, for periods of 25 years, in 36 communities. The astounding record shows that 98% of those voting on the proposals

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Television: Its Investment Aspects

By ROSS D. SIRAGUSA*

President and Board Chairman, Admiral Corporation

Despite meteoric advance of television industry into a multi-billion dollar business TV executive contends, saturation point is far from being reached. Foresees some immediate uncertainty due to rearmament program, but holds long-term outlook for television expansion is good.

Television is the youngest big industry we have today. Its growth has been meteoric. From a laboratory curiosity before the war, it has grown in the five years since 1945, into a multi-billion dollar business. Although mass production of receiving sets was just getting under way three years ago, the public will spend over two billion dollars for receivers alone this year. Because of this almost explosive growth, the industry has a boom aura about it which misleads many conservative people into thinking there is something unsound about TV.

Ross D. Siragusa

A more correct appraisal, I believe, is that television is the most wanted product to be offered the American public since the automobile. It is my opinion that time will prove TV has an almost universal market among American families, something very few products other than food, clothing and shelter ever have. Here is a quick sketch of the market situation. At present, telecasts are being made by 107 stations in 63 cities. Of the 40 million families in the nation, 25 million live within a 40-mile radius of one or more of these stations. Some 10 million sets have been sold in this market thus far, 7 million of which were sold this year. Allowing for non-family purchasers, more than 9 million families now have receivers. This means that slightly more than two-thirds of the family groups in the areas now being served with telecasts still don't have sets. In the New York region, where the highest percentage of families have receivers, saturation is still only 50%.

There are today more than 300 applications for additional stations pending before the Federal Communications Commission. When authorized, these stations will pretty well blanket the parts of the Country now without telecasts. As you do no doubt know, the FCC froze the licensing of new stations two years ago last September while it decided what to do about opening up additional wave lengths to TV. According to the latest word the Commission hopes to have the freeze lifted by mid-1951. If it does, and if we do not get into total war, I expect that TV service will be available to 90% of the American public within five years and surely will be within 10 years.

Within that time I expect television almost to equal the saturation among American families that radio has today, which is 95%.

TV receivers are much more costly than radios, of course. But they also give the greatest value ever offered in entertainment. The result will be that those few families who will feel they cannot afford a new receiver will buy a used one just as many automobile owners do.

TV, like radio, will also have a substantial replacement market. The improvement in sets and the trend toward larger screens has already created replacement demand. Seven and ten inch screens, which were standard two years ago, are obsolete today. The big sellers now are the 16 and 17 inch screens, and sets are being made up to 20 inches. Still larger sizes are coming. Five years from now I expect 27 to 30 inch rectangular tubes will be the standard. The 30-inch rectangular tube will give a picture area approximately 19 by 25 inches, or twice the area of the present 19-inch circular tube. Scientific development of the 30-inch tube will make this possible with cabinets not much larger than those required for the 19-inch round tube today.

Long before the next decade has passed you will also see many families with two or more TV receivers in their homes. There is already evidence that multiple set ownership is being decided upon as the answer to the arguments between parents and youngsters as to which generation will dictate program selection. This, again, is in the pattern of radio. I think I have gone into enough detail on the market over the next five to ten years to qualify TV as an industry meriting investment rating so far as prospective demand for the product is concerned.

Uncertainty of Immediate Outlook

I only wish that I could feel as confident about the immediate future as I do about the long-term outlook. Like most other industries today, the TV manufacturers' near-term prospects are subject to many uncertainties because of the rearmament program. To further complicate short-term forecasting, the industry has a problem all its own in the matter of color, which I shall discuss after dealing with the war situation.

Electronic equipment is highly important in rearmament. Present indications are that more than 25% of the industry's capacity will be directly engaged in military production within the next 6 to 12 months. Had it not been for war

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*From an address by Mr. Siragusa before the Investment Analysts Club of Chicago, Chicago, Ill., Dec. 20, 1950.

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Inflation and the Banking System

By THOMAS B. McCABE *

Chairman, Board of Governors, Federal Reserve System

Stressing urgent need for curbing inflation, Federal Reserve Chairman calls upon bankers to meet their share of responsibility by carefully restricting and scrutinizing loans and investments. Cites increases in inventory loans and consumer credit as inflationary menace. Lists counter-inflationary measures already taken, and warns more drastic moves to restrain credit expansion by individual and collective action of banks is needed. Says, however, legitimate credit requirements for defense orders should be fully met.

Inflation must be curbed. The deterioration of our international position has made the problem more difficult. It is more compelling than ever that we work together to develop an effective program to curb inflation. It should be a program preferably with a minimum of compulsion. This is the more democratic way. It will require the backing and initiative of each of you here, because this battle cannot be won in Washington alone. It must be fought at the grass roots.

Thomas B. McCabe

As you know, several concrete steps have been taken to stimulate voluntary efforts to curb credit expansion. You led the way with the joint statements made by your former President and leaders of other financial groups in mid-July cautioning their members against the use of bank credit to stimulate inflationary trends. I remember, too, how quickly your organization appointed its special committee on voluntary action to which I have already referred.

Early in August, as you will recall, the 52 bank supervisory agencies in the United States also issued a joint statement that urged financial institutions to screen their lending operations with great care during this period of intensified defense effort. It was a very strong appeal for the voluntary cooperation of every financial institution in the country to help in restricting unnecessary credit.

A little less than a month ago, on Nov. 17, as Chairman of the Federal Reserve Board, I addressed a letter to all member banks in which I pointed out the unprecedented rise in bank loans since the middle of the year. I emphasized that the continuation of such a trend would not only add to inflationary pressures but would seriously handicap the necessary expansion of military production. I appealed again to all banks to do their part in restricting the credit expansion. Similar appeals have gone out from other supervisory agencies.

Banks today have a more responsible role to play than ever before in their history. They stand in higher repute throughout the country today than ever before. More and more people look to them for confidence and reassurance. People now think of bankers as active participants in both local and national affairs, generous with their time for the welfare of the community.

There is less and less feeling today that bankers are steely-eyed money bags with offices in cold marble halls, interested only in lending money to a privileged few. With the development of new checking facilities, consumer loan departments, and other services for persons with small incomes, bankers are being recognized as providers of essential services to all of the people. Banks are coming more and more to be regarded as genuine community centers for personal financial affairs.

It is particularly because of the increased public trust in the banking community that we must recognize the inflationary potential of overall bank lending and investing in an emergency period such as this. We must realize that under present conditions every lending and investment decision we make has a bearing on the problem of inflation. At a time when there is full employment, full use of plants and machinery, and also when all available raw materials are being sold and used, every dollar of new bank credit adds a dollar to the competition for limited supplies of goods and services. As a result, prices and wages are bid up. No more goods are produced or hours worked as a result of the credit expansion. Instead the available goods are sold at higher prices and the available labor is employed at higher wages.

The first part of 1950—that is, before Korea—was marked by a sustained demand for all kinds of credit, including mortgage, business, personal and governmental credit. Bank loans expanded by about $2 billion dollars and bank holdings of state and local securities by almost another billion. This general expansion of credit contributed to and also resulted in part from, an accelerated business situation. Financial institutions participated widely in financing the construction and ownership of homes, the expansion of business inventories, and the purchase by consumers of durable goods. As a result business borrowing declined much less in early 1950 than might have been expected on seasonal grounds.

Credit Expansion

This was the stage in June. After Korea, credit demands ballooned. Since mid-year, in the commercial banking field, loans have increased by almost $7 billion. They are still increasing. This is larger than any expansion in any other period of comparable length. The outstanding volume of such credit is now at a record level of almost $52 billion.

Businesses have been especially heavy borrowers since June. Loans to business borrowers have accounted for more than half of the over-all bank loan expansion in the past four months. This increase has also been substantially greater than in any comparable period.

The recent increases in business loans has been much more than the volume we might have expected on purely seasonal grounds. The lion's share of the increase has been for the purpose of carrying additional inventories. About 60% of the increase can be attributed to borrowing of commodity dealers and processors of agricultural commodities. It has both reflected and accentuated the sharp rise in commodity prices that has taken place.

An additional 30% went to sales finance companies and distributors in about equal amounts. The remaining 10% went to a wide variety of business borrowers. It is notable that thus far an insignificant amount has been required to finance defense contracts.

Of the $7 billion increase in total loans of commercial banks since mid-year, between 40% and 50% probably represents, either directly or indirectly, home mortgage and consumer instalment debt financing. An unprecedented rate of activity in home building has been a large factor in the recent expansion of private credit. New loans on small residential property reached an all-time peak in August and have declined only slightly since then. For the first ten months of the year the total of such loans has exceeded the annual rate of any previous year.

Banks have participated heavily in this type of financing. Real estate loans outstanding at commercial banks have increased since June by $1 billion. The total expansion this year is about double that amount.

Even before the Korean crisis, banks and other lenders were financing a marked expansion in consumer buying, especially through the extension of instalment credit. After June consumer instalment credit increased very rapidly. The expansion in the third quarter was more than half again as large as in the same period of 1949.

Consumer loans by commercial banks have increased by about $1 billion in the past five months; and the growth thus far this year has amounted to around $2 billion. Fortunately, it may be coming to an end following the usual seasonal peak at Christmas. All of the evidence indicates that Regulation W is being effective in curbing the growth of consumer instalment credit.

Bank credit is directly related to the money supply, that is the total of bank deposits and currency. When banks increase their total loans and investments, the volume of deposits is likely to increase by a corresponding amount. When demand is already excessive, this feeds the fires of inflation.

Money Supply Increase

At the end of June, the money supply was close to the highest level ever reached. Since June, it has grown by about $4 billion to a new peak of nearly $173 billion. It must be stopped if the value of the dollar is to be maintained.

I do not wish to leave the impression that I am singling out the banking system for criticism. I appreciate that you are part of a larger financial community which operates in a highly competitive environment. What I am saying to you is equally applicable to insurance companies, mutual savings banks, savings and loan associations and government credit agencies. But I do want to bring home to you today with great emphasis that this is your problem as well as ours.

Certain fiscal and monetary measures to cope with the inflation situation have already been adopted. More are needed. We must tax heavily to finance the defense effort without inflation. We must siphon off excess purchasing power through taxes. One set of tax increases has been enacted, but others are necessary.

Certain national and state projects will have to be postponed. We all will have to prepare ourselves to do with less so that we may preserve the value of the dollar while we are meeting our full military requirements. In addition individuals and institutions with real savings must be induced to purchase Government securities and to hold them. The limits for purchase of Series F and G savings bonds have been raised. Further campaigns will be inaugurated to promote the sale of Series E bonds, especially through payroll savings plans. Additional sales of savings bonds are essential to absorb funds that might otherwise be spent. Thrift and savings are

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*An address by Mr. McCabe before the National Credit Conference of the American Bankers Association, Chicago, Ill., Dec. 14, 1950.

Stock Market Twists —Past and Present

By ROGER W. BABSON

Mr. Babson recalls four stock market cycles since 1914, and contends we need have no fear now of the things which have brought on previous depressions, since these have been remedied. Says only two factors which can cause stock market break now, are acts of political bosses in Kremlin and of labor bosses in United States.

Perhaps when everyone is so excited as is true today, it might be well to look at past history. There certainly have been other times when the American people were even more disturbed. Probably most readers have weathered four stock market panics.

Roger W. Babson

The first scare was in 1914 when the New York Stock Exchange was closed for some months, and investors were throwing over securities without rhyme or reason. Yet, after the Stock Market opened again the Industrial Averages rose 113%, while many stocks rose much more. Stocks continued high for about two years.

The second scare came in 1921, brought about by an unprecedented sudden decline in wholesale commodity prices. This sent many concerns into bankruptcy. Yet, it was only a question of readjustment, after which employment increased and the Industrial Averages climbed nearly 500%, while certain stocks did much better.

The third scare came in 1929 due to the extreme overexpansion in the stock market, followed by the closing of thousands of banks —a situation which had never before happened. Yet, faith was reestablished, and the Industrial Averages increased about 370%; while then again, other stocks did even better.

The fourth break came in 1937, and it was caused by the Roosevelt Administration attempting to put a planned economy on United States business. It was the first time this had ever been attempted; a severe market break followed, accompanied by unemployment, declining commodity prices, and general fear. This lasted until the war broke out in Europe when England and the Allies gave our corporations large war orders. Of course, during 1940, 1941, and 1942 the market fluctuated downward with the state of war, reaching the low point in 1942. When the war outlook changed for the better in 1942, the market began to pick up and the Industrial Averages went up about 130%.

The last scare came when the war was over, due to fear of unemployment. Everybody had gone to work during the war days; they liked their pay envelope, and did not want to leave their jobs. This fear of general unemployment caused merchants suddenly to cancel orders for merchandise which resulted in factories laying off more help. Contrary to all expectations, this unemployment was of short duration, and the stock market again began to climb. From 1942 to 1946 the Industrial Averages rose about 130%.

Where We Stand Today

The country today is at a peak of a prosperity area. To be exact, we are riding 37% above the normal compared with 38% below the normal in 1933. Our normal is based upon the average of the full cycle. How long the present prosperity will last, no one knows. During the next few years our fate depends upon whether the President and his advisors say "Yes" when the should say "Yes" and say "No" when they should say "No." I sincerely hope they get on their knees and ask the guidance of God when making these tremendous decisions.

We need have no fear of the things which have brought on previous depressions. These have been remedied. Also, the Stock Exchange margins have been greatly increased, which should be a steadying factor, as well as the growth of Investment Trusts. The two factors which could cause a collapse are the acts of the Political Bosses of the Kremlin, and the acts of the Labor Bosses of the United States. The next depression will be brought on by one of these two groups. It will come about some day, and wise are those who now have a reasonable amount in liquid funds to prepare for same. The point of this week's column, however, is to show that we came out of all our previous troubles okay, and we will come out of our present troubles okay if we will keep out of debt and follow God's Teachings.

Morgan Stanley to Admit

On Jan. 1, Chester H. Lasell will be admitted to partnership in Morgan Stanley & Co., 2 Wall Street, New York City, members of the New York Stock Exchange.

The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

Overall industrial production for the country as a whole held nearly steady and at a high level the past week. It was also noted that total output was sharply higher than that for the corresponding week a year ago.

With respect to employment, total claims for unemployment insurance after rising slightly for some weeks, continued to decline in the last recorded week.

On Friday evening of last week the President brought home to the people of the United States and of the world the gravity of the situation that confronts them by the Communist aggression which is relentlessly bringing the world "to the brink of a general war."

Drawing the people's attention to what is necessary to combat the danger that confronts them, he called for a sharp upward revision in our military strength and for a vast expansion in our production efforts. To implement his program he stated he would ask the Congress for immediate price controls on essential defense items and on products necessary to keep the cost of living down; expansion of the Army, Navy and Air Force, with an increase in military manpower to 3,500,000; higher taxes, far beyond any so far proposed; a reduction in nonmilitary expenditures, and stabilization of wages, and longer hours.

Commenting upon the wildcat strike of railroad switchmen, President Truman stated:

"Unfortunately, at this moment a railway union and a large number of its members are out on an unlawful strike that has partially paralyzed our railroad system.

"This action has already begun to slow down our industry. It is interfering with the movement of troops; it is holding up equipment for our fighting forces; and our civilian population has begun to suffer.

"This strike is a danger to the security of our nation.

"As Commander in Chief, therefore, I call upon the union and its striking members to return to work immediately."

Upon receiving word that virtually all the striking railworkers were back at work, heads of four railroad brotherhoods and representatives of the carriers were called by John R. Steelman, Presidential Assistant, to the White House on Sunday last for conferences on settling the wage dispute that led to crippling strikes last week.

The Presidential proclamation, declaring a National Emergency and signed in the White House in a simple ceremony at 10:30 a.m. on Sunday morning, was followed within minutes by an executive order defining vast powers given to Charles E. Wilson, new Director of Defense Mobilization.

Less than three hours later, the government, using its new emergency powers, ordered a rollback of new automobile prices to Dec. 1 levels, freezing them there at least until March 1. It was the first price ceiling imposed in the United States since the death of World War II OPA in 1946 and forces General Motors, Ford, Chrysler and Nash to abandon price increases they announced on 1951 models.

With rescpect to the critical world situation and its effect upon the automotive production, "Ward's Automotive Reports" currently states that manufacturers apparently are determined to build as many cars as possible before government material restrictions force a cutback next month. Material shortages continue to restrict production of Ford passengers cars, but the company's truck output is again rising after a sharp drop during model changeover, the agency added.

On the steel front, "Steel," the weekly magazine of metalworking, says, with defense requirements mounting in step with deteriorating world political conditions, the steel markets are beginning to assume wartime patterns. Diversion of tonnage to military and related consumption already is resulting in manufacturing dislocations which promise to intensify as the weeks pass. The steel distribution pattern in the first quarter of next year will differ noticeably from that prevailing in the period now ending. And really material changes are indicated for the second quarter, not only in the character of the demand load on the steel mills, but in the manner in which tonnage is channeled into consumption as well.

A frantic scramble of consumers to get in as much steel as possible before straitjacket government controls are slapped on supplies continues. Nonrated buyers are scouring the markets for tonnage to care for their current needs. Appeals for aid in obtaining supplies of pig iron, steel and other scarce materials are beginning to flood into Washington. And conditions promise to worsen. Progressively from here on as manufacturers get closer to the bottom of inventories, less and less steel will be available for civilian goods production with additional government allocation programs in the offing. Only minor relief for supply difficulties is offered in the premium conversion and gray markets, and relatively little dependence is placed by consumers on imported material.

Steel Output Scheduled to Show Fractional Decline This Week

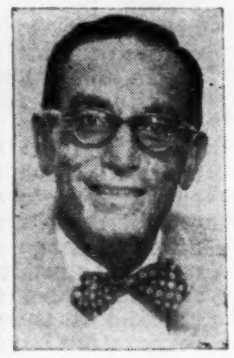
This week steel consumers are being informed of drastic cutbacks in their February allotments of steel, according to "The Iron Age," national metalworking weekly. The cutbacks vary widely for different products and different companies. Deepest slashes are in quotas for flat-rolled products such as plates, sheets and strip. Compared with allotments of last October, February

Continued on page 31

Stock Market to Be Discussed

Hargrave and May will address American Statistical Association in Chicago on December 27.

Various phases of the security markets and investment practice will be weighed at the 110th Annual Meeting of the American

Homer P. Hargrave A. Wilfred May

Statistical Association, which is being held as part of the convention of the Allied Social Science Associations in Chicago from Dec. 27 to Dec. 30. The session on *"The Stock Market,"* sponsored by the ASA's Business and Economics Statistics Section, will take place at a luncheon session from 12:00-4:00 p.m., Wednesday, Dec. 27, at the Congress Hotel.

The speakers will be Homer P. Hargrave, of Merrill Lynch, Pierce, Fenner & Beane, and A. Wilfred May, Executive Editor of the Commercial and Financial Chronicle, and faculty member of the New School for Social Research. Mr. Hargrave will speak on "Observations on Security Markets and Stockholder Relations." Mr. May's topic will be, "Is It Possible to Forecast the Stock Market?".

James E. Day, President of the Midwest Stock Exchange, will be chairman of the meeting.

Carlisle & Jacquelin Admit

On Jan. 1, Carlisle & Jacquelin, 120 Broadway, New York City, members of the New York Stock Exchange, will admit to partnership Harold W. Carhart, Jr., Charles H. Trieriot, Jr., Henry B. Funking and Sander Landfield. Both Mr. Carhart and Mr. Trieriot have been active as individual members of the Exchange.

J. Wright Brown, member of the Exchange; Harold W. Carhart, member of the Exchange; Archie M. Reid, Robert A. Haughey and Edward J. Stray, general partners in the firm, will become limited partners on Jan. 1.

Joins Merrill Lynch

(Special to The Financial Chronicle)

CHARLOTTE, N. C.—Archie B. Joyner has become affiliated with Merrill Lynch, Pierce, Fenner & Beane, Liberty Life Building. He was formerly with Thomas Darst & Co.

Middle East Oil—The Lifeblood of Europe

By JOSEPH F. DORSEY
Petroleum Economist, Argus Research Corporation

Demonstrating economic dependence of Western Europe on petroleum from Middle East, Mr. Dorsey points out necessity for recognition of grave threat facing us in this area. Maintains loss of Middle East could mean loss of Western Europe as political allies.

A vulnerable spot in the defense of the non-Communist nations is becoming increasingly evident in the current critical international situation, and it does not yet seem to be completely recognized. The economic and military machine of the United States is being geared to a full-war basis, but there does not seem to be a full comprehension of the economic significance of the most important source of petroleum supplies for our international allies. The grave danger that faces the Middle East area entails far more than a consideration of the millions of dollars invested in the development of oil properties there. It involves a threat to the economic underpinnings of all of our political alliances in Western Europe.

Joseph F. Dorsey

Our studies of world oil economics have convinced us that one of the most serious hazards now faced by the non-Communist world is the fact that so very few people in responsible positions have a complete conception of the vital importance of petroleum geopolitics. It is not generally realized that only 368 well-placed sticks of dynamite could raise complete havoc with the economies of practically all of the free nations of the world, or that, even in peace, Russian control of the Middle East oil could place Europe at the mercy of the Communists!

The purpose of this article is to show (1) the importance of the Middle East as a source of crude oil and refined products, (2) the vulnerability of the area to military attack, and (3) the significance of the loss of this crude oil and the resultant effect on our Western European allies.

Petroleum Resources

It is only in the last decade that Middle East crude oil has assumed a position of great importance on the international petroleum scene. Perhaps for this reason it is not generally known that the proven crude oil reserves in these desert lands at the end of 1949 represented nearly 42% of the world petroleum reserves. This is more than the total reserves of the entire United States, and even more than the 36% found in all North America. As a potential source of crude oil, the Middle East certainly should not be underestimated.

The reserve position of this area can perhaps be seen more clearly in Table I. It should be noted that, contrary to popular belief, crude reserves in the Eastern Hemisphere are about the same as, or slightly greater than, those in the Western Hemisphere. Of the 39.2 billion barrels proved in the Old World, 32.5 billion have been discovered in the Middle East, while it is estimated that the Soviet Union and its satellites can claim only 4.9 billion barrels. In the Western Hemisphere 25.9 billion barrels find their source in the United States, and Venezuela has crude reserves of about 9.5 billion barrels.

The most recent comparable production figures available indicate a somewhat different picture. Here it can be seen that the United States accounts for 51.6% of the world crude oil production, while the Middle East brought only 17.3% to the surface, or about the same as the total South American production. While, compared to the U. S., crude oil production in the Middle East appears to be relatively small, let us consider the actual number of barrels produced—1.8 million barrels per day.

It has been estimated by the ECA that petroleum consumption of Western Europe for the fiscal year ending June, 1951 will be 1,014,000 B/D and that these countries will be forced to import 711,000 B/D of crude oil and 433,000 B/D of refined products. (The slight discrepancy between the total of 1,144,000 B/D of imports and the estimated consumption of 1,014,000 B/D can be accounted for by the necessary losses from evaporation, etc., and by the relatively small exports of refined products from Western Europe.) Against the minute 40,000 B/D of crude production from Western Europe, and considering the need of this territory for one million barrels per day, the Middle East figures loom large.

In view of the fact that practically all Western Europe's petroleum needs must be furnished by imports of crude and refined products, it should be understood that the United States, in order to maintain political alliances with these nations, must make certain that their source of supply will not be eliminated through any Communist aggression. The data in Table II, which give the im-

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How Excess Profits Tax Adversely Affects Low-Income Shareholders

By H. P. B. JENKINS
Professor of Economics, University of Arkansas

Prof. Jenkins gives illustrations in tabular form how load of excess profits tax may be borne more heavily, relatively, by low income stockholders than by those in higher brackets.

The enthusiastic advocates of corporate excess profits taxation have somehow neglected to mention one of the most interesting effects of that kind of tax levy. They are strangely silent about the fact that the corporation excess profits tax must inevitably hit the lower-income shareholders harder than it hits those in the upper-income brackets, even assuming that the tax could be made perfectly equitable as between different corporations and entirely free from any of the other well-known harmful consequences of excess profits taxation. This analysis makes no attempt to explain why the advocates of an excess profits tax are silent on this interesting point; we are here concerned only with the fact of the shifting of the tax load resulting from this kind of taxation.

H. P. B. Jenkins

The shifting of tax load to be considered here is illustrated in great detail in these three tables. Table 1 shows the initial situation, with the maximum 1950 corporation income tax rate in effect. Under the combined corporation and individual taxation, the three shareholders contribute different amounts of revenue out of each of their $100 shares of corporate earnings, depending on the position of each shareholder in the rate schedule of the individual income tax. Thus A's contribution to the revenue from each $100 share of corporate earnings is $50, B's is $60, and C's is $67.50. It is interesting to notice in passing that, if each shareholder had received his income from investments not subject to the corporation income tax, or if that tax were abolished and shares of corporate earnings were included in the base for the individual income tax, then the contribution to the revenue from each $100 of earnings would have been $20 for A, $60 for B, and $90 for C. Shareholder B is therefore in a neutral position, since his total contribution to the revenue would be the same $60 under either of these two alternatives.

Table 1: Initial Situation; Double Taxation of Corporation Earnings, With 1950 Corporation Income Tax.

	A	B	C
(1) Shareholders	A	B	C
(2) Shares in the corporation's earnings	$100	$100	$100
(3) Corporation income tax, at effective rate of 45%	$45	$45	$45
(4) Retained earnings	30	30	30
(5) Dividends paid out	25	25	25
(6) Rates of individual income taxes on shareholders' personal incomes	20%	60%	90%
(7) Individual income taxes paid on dividends received	$5	$15	$22.50
(8) Total taxation on shares of corporate earnings	$50	$60	$67.50
(9) Effective combined rates of taxation on shares of corporate earnings	50%	60%	67.5%
(10) Percentages of total revenue ($177.50) paid by these shares of corporate earnings	28.17%	33.80%	38.03%

Table 2: Corporation Income Taxation Increased by Excess Profits Tax, with no Change in Dividends Paid Out.

	A	B	C
(1) Shareholders	A	B	C
(2) Shares in the corporation's earnings	$100	$100	$100
(3) Corporation income tax, at effective rate of 60%	$60	$60	$60
(4) Retained earnings	15	15	15
(5) Dividends paid out	25	25	25
(6) Rates of individual income taxes on shareholders' personal incomes	20%	60%	90%
(7) Individual income taxes paid on dividends received	$5	$15	$22.50
(8) Total taxation on shares of corporate earnings	$65	$75	$82.50
(9) Effective combined rates of taxation on shares of corporate earnings	65%	75%	82.5%
(10) Percentages of total revenue ($222.50) paid by these shares of corporate earnings	29.21%	33.71%	37.08%
(11) Item (9), Table 3, **minus** Item (9), Table 1	+15%	+15%	+15%

Table 3: Corporation Income Taxation Increased by Excess Profits Tax, with no Change in Retained Earnings.

	A	B	C
(1) Shareholders	A	B	C
(2) Shares in the corporation's earnings	$100	$100	$100
(3) Corporation income tax, at effective rate of 60%	$60	$60	$60
(4) Retained earnings	30	30	30
(5) Dividends paid out	10	10	10
(6) Rates of individual income taxes on shareholders' personal incomes	20%	60%	90%
(7) Individual income taxes paid on dividends received	$2	$6	$9
(8) Total taxation on shares of corporate earnings	$62	$66	$69
(9) Effective combined rates of taxation on shares of corporate earnings	62%	66%	69%
(10) Percentages of total revenue ($197.00) paid by these shares of corporate earnings	31.47%	33.50%	35.03%
(11) Item (9), Table 3, **minus** Item (9), Table 1	+12%	+ 6%	+1.5%

Now suppose that a corporation excess profits tax is adopted, bringing the effective rate of levy on the earnings of our corporation up to 60%. For the purpose of isolating the factor of tax shifting, it is here assumed that the imposition of that excess profits tax will leave the aggregate net earnings (before tax) of our corporation unchanged. Then the additional corporation income tax payment must come out of either retained earnings or dividends.

Table 2 shows the additional corporation income tax being paid out of retained earnings, with dividend payments continued at $25 for each $100 of corporate earnings.

This adjustment to the excess profits tax would drastically reduce the internal supply of equity capital available to the corporation to finance its expansion; but that is a point thoroughly discussed in many other places. Here we are concerned merely with the shift in the tax loads borne by our three shareholders.

In Table 2, the total contribution to the revenue from each of their $100 shares of the corporation's earnings is $65 for A, $75 for B, and $82.50 for C. As shown by Item (11), this means that the effective combined rates of taxation on their shares of the corporation's earnings have gone up 15 percentage points. Hence this change is in the same direction as that which would result from a flat 15%, "across the board," increase in personal income tax rates. Although in real life this flat increase would affect actual effective rates of taxation on total income differently for shareholders in the different income-brackets, insofar as they differed in the relative proportions of income derived from investments in corporate stock, and from other sources, nevertheless the net effect of this rise in corporation income taxation would be a reduction in the overall **progressivity** of income taxation for all shareholders. For instance, out of these three $100 shares of corporate earnings, the total revenue was $177.50 in Table 1 and $222.50 in Table 2. Of those totals, Shareholder A's share of those corporate earnings contributed 28.17% in Table 1 and 29.21% in Table 2. C's percentage contribution, however, dropped from 38.03% in Table 1 to 37.08% in Table 2. Thus the excess profits tax would extract a relatively larger percentage of total tax revenue from the lower-income shareholders than would be extracted from them under a lower corporation income tax. And the more highly progressive the corporation excess profits tax, the greater would be this shifting of the relative shares of the total tax load towards the lower-income shareholders, as the earnings of the corporation increased.

Table 3 shows the additional corporation income tax being paid out of dividends, with retained earnings continued at $39 per $100 of corporate earnings. This adjustment to the excess profits tax would, of course, create trouble between the corporation and both actual and potential shareholders; but that is another point which cannot be discussed here.

In Table 3, out of a total revenue of $197.00 from these three $100 shares in corporate earnings, A's share of those earnings contributed $62, B's $66, and C's $69. This means that the effective combined rates of taxation on shares of the corporation's earnings have risen, but not by the same dollar amounts or percentage points for all shareholders. As shown by Item (11), A's combined effective rates of taxation have risen 12 percentage points, B's by 6, and C's by only 1.5 percentage points, as compared with the initial situation shown in Table 1. Hence A's $100 share of the corporation's earnings now contributes 31.47% of the total revenue from these three blocks of earnings, as compared with 28.17% of total revenue in Table 1. The corresponding percentage shares contributed by C's $100 of earnings, on the other hand, fell from 38.03% of total revenue in Table 1 to 35.03% in Table 3. In dollar amounts, A's earnings contributed $12 more to the total revenue in Table 3 than in Table 1; while the corresponding increase in C's contribution was only $1.50 or one-eighth as great as the dollar increase for A.

All of these calculations add up to the fact that the adjustment to the corporation excess profits tax illustrated in Table 3 would result in a much sharper reduction in the overall progressivity of income taxation than that shown in Table 2. It would also result in a much sharper shift of relative shares of the total tax load towards the lower-income shareholders. And here also, the more highly progressive the corporation excess profits tax, the relatively greater will be this shifting of tax load towards the shareholders in the lower-income brackets as the earnings of the corporation increased.

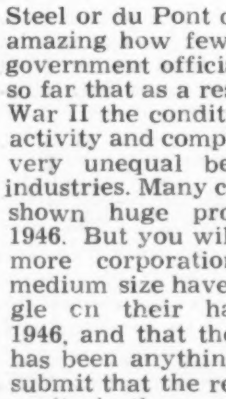
Under any actual corporation excess profits tax, the corporation's adjustment to its added tax liability would likely be somewhere between the two extremes illustrated by Tables 2 and 3. Nevertheless, regardless of the choice made by any particular corporation, as between cutting retained earnings or cutting dividend payments, the inevitable net results would be a reduction in the overall progressivity of income taxation and the imposition of relatively larger shares of the total tax load upon shareholders in lower-income brackets, as compared with no excess profits tax. From many points of view, such a shifting of relative shares in the total tax load towards lower-income shareholders may appear to be highly desirable in our present situation. But the advocates of the corporation excess profits tax have neither explained this shifting of the tax load nor expressed a desire to see its occurrence in fact.

A Formula for Computing Excess Profits

By PHILIP CORTNEY*
President, Coty, Inc.

Mr. Cortney pointing out postwar conditions of different industries vary, proposes, as a corrective and equalizer, excess profits tax be calculated on average increase of profits of all corporations from 1946 to 1949 as compared with 1936-39, and all profits in excess of latter period, when multiplied by this national average, be considered as excess profits and taxed as such.

There are two points regarding the excess profits tax on which I believe we can all agree: first, that it is a bad tax; and second, that if we have such a tax it should be drafted in such a manner as to do the least possible harm.



Philip Cortney

It strikes me that each time the question of excess profits taxes is discussed the line of reasoning is as if all corporations were General Motors or U. S. Steel or du Pont de Nemours. It is amazing how few economists and government officials have realized so far that as a result of the World War II the conditions of economic activity and competition have been very unequal between different industries. Many corporations have shown huge profits ever since 1946. But you will find that many more corporations of small or medium size have had a real struggle on their hands ever since 1946, and that their profit picture has been anything but enviable. I submit that the reason for the disparity in the good or bad fortunes of many corporations cannot be ascribed only to special ability of the management of some corporations. I do not wish to minimize the ability of some men, but I wish to make clear why some companies have had a relatively easy time and why others, for reasons which are not of their own making, have had really a hard break. I am against government intervention in business, and taxation is a form of government intervention. I submit, however, that if and when government intervention in business cannot be avoided its influence should be exercised so as to correct distortions due to abnormal circumstances. Let me make my ideas more clear and definite and explain why, ever since 1946, we have had a good number of companies which were particularly prosperous, and a much larger number who were in a semi-depressed or depressed condition.

Profits Position of Industries Varies

Ever since the war ended some of our industries have been in a seller's market and some in a buyer's market. The industries which were in a seller's market were mainly those which had huge backlog of demand inherited from the war, and were spurred besides by easy money policy and instalment credit. I have in mind mainly industries making automobiles, homes and many durable goods. On the other hand, many industries had no backlog of demand at all, and some filled the backlog within one or two years. Besides, and above all, the costs of these industries which were in a buyer's market were constantly pushed upward mainly because of labor contracts entered into between big labor unions and big companies manufacturing automobiles and durable goods. The companies which were in a seller's market and those in a quasi-monopolistic position were able to pass to the consumer the increases in wages and costs and increases in taxation, while industries which were in a buyer's market saw their profit picture constantly squeezed between the

*A statement by Mr. Cortney at the Tax Institute Symposium, Philadelphia, Pa., Dec. 9, 1950.

retailer, the consumer, labor and other costs.

I therefore submit that if an excess profits tax is to be enacted it should be drafted in such a manner as to avoid accentuating the just described distortion and disparity with which part of our economy is still struggling as a result of World War II, and the easy money policies ever since 1946. Mr. Leffingwell of the Morgan Bank has come out in favor of an excess profits tax provided this tax is drafted in such a manner as to make the tax prevent profiteering and not destroy incentive. Mr. Leffingwell accompanies his proposal for an excess profits tax with the following comments, among others (see "Chronicle" Nov. 16, 1950, page 10):

"A moderate tax of this type, a supertax for the national defense, would be better than a further increase in the straight income tax on corporations. Companies that have abnormal large income in relation to capital or past earnings are better able to bear more taxes, than companies that are jogging along without benefit of defense spending and that perhaps are even hurt by curtailment of civilian spending. The 45% corporation income tax, however necessary, is too high already to be healthy, to permit fair dividends and adequate reserves, for the 'jog-along companies."

A Proposed Formula

I therefore strongly urge Congress that if an excess profits tax bill is enacted the excess profits should be determined in the following manner:

The government will calculate the average increase of profits of all corporations in the period from 1946 to 1949 as compared with the period from 1936 to 1939. All profits in excess of the 1936 to 1939 period multiplied by this national average will be considered excess profits and taxed as such.

One can, of course, think of other formulas, but I believe that the one just suggested would be equitable and would take into account the distortion from World War II. Otherwise the new excess profits tax bill will only make worse the situation of all industries which have had a bad lot ever since 1946, due to abnormal conditions created by World War II and the inflation and easy-money policy.

From Washington Ahead of the News

By CARLISLE BARGERON

The major league baseball owners are now by way of learning something about the great game of politics and the men who work at it. It is my guess that they will wish they had never heard of Happy Chandler before they are through dealing with him.

Carlisle Bargeron

To get the picture you have got to go back to the Black Sox scandals in baseball years ago. At that time several members of the Chicago White Sox were caught in a fix to throw the World Series. The baseball loving public was horrified and there were reams of stuff in the newspapers about the millions of youngsters over the country having broken hearts and never again would there be any confidence in the great national pastime.

So, someone had the brilliant idea, probably it was some hot shot publicity man, of getting a man of unimpeachable honesty and character to serve as the high commissioner of the game. Bushy, white haired Kennesaw Mountain Landis, who as a Federal judge had once socked Standard Oil with a $29 million fine and aroused the imagination of the plain people, was chosen. There were some chores to the job but mainly the good name of the judge was to be used to restore confidence in the game.

Came the judge's end and it didn't occur to the baseball magnates that the good name of baseball had been restored and that this was an office they could dispense with. A high commissioner of baseball had been established and it had to be carried on. So Happy, a United States Senator, was chosen.

Now you would suppose that the magnates being free men have a perfect right to fire Happy if they want to, providing they carry out the terms of their contract with him which they are anxious to do. Here is where they are to be initiated in the fantastic, artificial world that is politics.

As a politician, Happy was trained not to deal with facts or to the scientific proposition that two and two equal four. He was trained in the world of make believe where two and two are made to equal five.

Thus, it so happens that a majority of the magnates voted to continue Happy's contract but it takes 12. However, on the basis of his getting a majority to support him, he is out now with a campaign that a majority of the magnates want the game kept on the high plane which he has set but a wilfull minority wants to return to the good old days of banditry. Happy learned these tactics, of course, from the New Deal. It makes no difference that this strong minority may have very good reasons for being tired of supporting Happy in the estate to which he is accustomed. They will be made to appear, with Happy's silvery tongue and political training in publicity, as worse than the Economic Royalists who enslaved workers and widows and orphans in the vocabulary of the New Deal. They will have been so smeared before it is over, that not unlikely they will be glad to keep Happy in increased grandeur for the sake of the game's good name.

It is not unimportant to study Happy and his tactics in this instance by way of learning how the politician's mind operates. It will help explain the amazing spectacle in Washington of the military being conservative in their rearmament plans while Capitol Hill insists upon gorging them with money.

You will find Capitol Hill generally agitating in the direction of Governor Dewey's proposal for an army of some 15 million men and all-out complete industrial mobilization, whereas General Marshall is urging caution and counselling that we hold our new military establishment to a size that can be maintained indefinitely. He hates to go to an extreme in building up the establishment now in the conviction that when the pendulum swings back we will go to just as much extreme in unbuilding it.

So, we have a situation whereby for the first time in history, I suspect, a general instead of being looked upon as grasping and wanting the sun, is being smeared in Capitol Hill cloakrooms and in a portion of the press as having become senile.

Now the reason for this attitude on Capitol Hill is the politician's trait of not adhering to facts but of living in a world of propaganda and wanting to keep his own skirts clean. When a propaganda barrage is loosed, it is simply too exacting of him and dangerous to try to expose it. His disposition is to accept it as the true state of affairs and to act accordingly.

Back in his home community, the politician knows there are countless ambitious men who aspire to his job and are studying the "Congressional Record" closely every day with a view to getting an issue against him. Just now he has little or no idea about what is coming in world affairs but he is quite sure that when it comes there is not going to be any issue against him that he wasn't for preparedness, regardless of what it cost. He wants to be able to show that when the military came to Congress asking for $20, $40 or $50 billion he told them they needed more and insisted they take more.

This mental state is what caused his first reaction to Korea to be the question of why, with the money he had voted for, we didn't have more to send down there, not why we were down there at all.

In our country the political mind is utterly essential and is quite understandable. It is too bad, though, that we don't have some more leadership of industrialists, so that their mind would be represented too.

Knox Manager of Brown Bros. Harriman

John A. Knox has been appointed a manager of Brown Brothers Harriman & Co., 59 Wall Street, New York City. Formerly an assistant manager, Mr. Knox has been associated with the firm since 1925. He is active in the firm's operations in the financing of international trade.

Reilly Phone to Blizzard in Phila.

J. F. Reilly & Co., Inc., 61 Broadway, New York City, announce the installation of a direct private telephone to Herbert H. Blizzard & Co., Philadelphia.

Bell, Gouinlock Co. Announces Changes

TORONTO, Ont., Can. — Bell, Gouinlock & Company, Limited, 25 King Street, West, announce the retirement of H. L. Somers as Vice-President and Director of the firm. The American department of the firm will henceforth be under the direction of Percy R. Hampton and Irving H. Campbell, both of whom have been with the firm for many years.

Westheimer Co. Adds

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio — William A. Schul has been added to the staff of Westheimer & Co., 326 Walnut Street, members of the New York and Cincinnati Stock Exchanges.

With Greene & Ladd

(Special to THE FINANCIAL CHRONICLE)

DAYTON, Ohio — Robert S. Walton, Jr. is now affiliated with Greene & Ladd, Third National Bank Building, members of the New York Stock Exchange.

With J. M. Dain & Co.

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn. — Clarence E. Ladd has joined the staff of J. M. Dain & Co., 112 South Sixth Street, members of the Midwest Stock Exchange.

Joins R. J. Steichen

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—Joseph B. Engstrom has joined the staff of R. J. Steichen & Co., Roanoke Building.

Two With Irving Rice

(Special to THE FINANCIAL CHRONICLE)

ST. PAUL, Minn.—Kenneth D. Aws and Adrian J. Meunier have become associated with Irving J. Rice & Co., First National Bank Building.

Joins Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

ST. JOSEPH, Mo. — Edward Hubka is connected with Waddell & Reed, Inc. of Kansas City.

Joins Friedman, Brokaw

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Myer S. Stein has become associated with Friedman, Brokaw & Co., 711 St. Charles Street, members of the New York and Midwest Stock Exchanges. He was formerly with Scherck, Richter Co.

With Merrill Lynch Co.

(Special to THE FINANCIAL CHRONICLE)

ASHEVILLE, N. C.—John L. Simmons is now with Merrill Lynch, Pierce, Fenner & Beane, 22 Battery Park Avenue.

A Program for Defense Economy

By MURRAY SHIELDS*

Vice-President, Bank of the Manhattan Company

Mr. Shields lays down as vital objectives: (1) improvement and strengthening of government decision-making processes; (2) mobilization of military force powerful enough to deter aggression, but without disrupting national economy; and (3) curtailing current inflation. Proposes, among other things: (1) a government decision-making group of unquestioned distinction; (2) a no-strike, no-wage increase policy during the emergency; (3) reduction of non-essential government spending; (4) anti-inflationary taxation; and (5) immediate steps by Fed. Res. to curtail increase in currency and bank deposits.

This is unquestionably one of the gravest crises this nation has ever faced. Everything we hold dear—our way of living, our standard of living, our freedom, our civilization—our very existence as a nation—is at stake. The risks are colossal. We dare not make a mistake. We cannot tolerate a fumble. We must call our plays with all the skill we possess.

Murray Shields

Therefore it is imperatively necessary that we dedicate ourselves to three vital objectives on the attainment of which our future depends.

(1) We must improve and strengthen the process of government decision-making, covering the entire range of domestic and foreign policy.

(2) We must mobilize a powerful enough military force to deter or resist aggression and do so with the minimum of danger to the economic growth on which tomorrow's military potential depends.

(3) We must stop inflation dead in its tracks.

Every patriotic citizen owes it to his nation to do the hardest and clearest thinking of which he is capable on the specific measures by which these vital objectives can be realized, and then, beyond that, to demand in the strongest terms that whatever action is necessary be taken as quickly as possible.

It is essential that we recognize that the magnitudes with which we may have to deal in the event of total war are simply heroic. The vital considerations are:

(1) That all-out atomic, global war would entail an expenditure of more than — perhaps much more than—$150 billion per annum;

(2) that, with a public debt of $260 billion, we would be courting disaster not to pay for most of our defense or war outlays "as we go";

(3) that, in view of the inflationary erosion which has already taken so heavy a toll of existing savings, it is likely to be much more difficult in this emergency than in World War II to find private buyers for war bond issues; and,

(4) that the tax burden is already so high that it will not be easy to treble Federal Government tax revenues without doing irreparable violence to the very fabric of our society.

Under the circumstances, we shall probably have no option but to finance the cost of a full-scale war from a combination of very high taxes and bond issues. But the risks here are so great that we must leave no stone unturned in our effort to limit the latter and to manage both processes so as to realize the basic objectives to which reference has already been made. There is no room for doubt that we are confronted with a real dilemma, but neither is there reason to doubt that we can surmount the present crisis if we discard our prejudices, forget self-interest and abandon all considerations of political expediency.

For the purpose of stimulating public consideration of these problems, I would like to present a tentative and very rough program to strengthen our leadership, mobilize our strength, insure tomorrow's military potential and stop inflation.

(1) There should be mustered into the decision-making group at the helm of the government leaders of unquestioned distinction, demonstrated competence and of long and extensive experience in the larger affairs of the nation's life. When the fate of the world for generations to come may be determined by the actions our government takes, by the attitudes it assumes and by the policies it adopts on a wide range of extremely difficult and obviously dangerous issues, the need is urgent for the appointment by the President of a Special Emergency Council into which could be brought our really great private citizens—such as Baruch, Byrnes, Conant, Donovan, Eisenhower and Hoover, to name but a few—who would inspire the confidence of our friends and command the respect of friend and foe alike. The President could render no greater service at this time of crisis than to bring into his council our "Elder Statesmen."

(2) The President should demand publicly and unequivocally that for the duration of the emergency the labor unions refrain from strikes for further rounds of wage increases, agree to the elimination of featherbedding practices, accept a longer straight-time work-week and agree to the abandonment of all contract escalator clauses. On the other hand, he should demand no less vigorously that business voluntarily forego any excess profits due to wartime shortages and hold the line on prices. We cannot afford strikes as usual, profits as usual, politics as usual, when our need for production is as great as it is today.

(3) Government agencies should be directed to cut non-essential, non-defense expenditures to the bone. We need to channel the funds and the workers to more essential activities in time of emergency.

(4) Congress should pass some really effective anti-inflationary taxes to produce a substantial budget surplus in the months immediately ahead and to provide the basis for collecting the colossal amounts of funds required in the event that total war comes. Among the tax measures to which serious consideration should be given are general sales taxes, reduction in personal exemptions, increases in income tax rates on the lowest as well as the highest incomes, some degree of tax exemption on private savings and devices to collect taxes on invisible incomes which now escape the revenue collector. We cannot afford to permit inflation to skyrocket the costs of defense or to impede the mobilization of resources into the defense effort when our nation's future hangs in the balance.

(5) The corporation taxes must be raised, but they should be recast to provide an incentive for the retention and investment of corporate income and the use of new funds to expand capacity, when the need for insuring tomorrow's productive potential is so critical.

(6) The Federal Reserve authorities should take whatever steps are needed to prevent any further increase in the total of currency and bank deposit money. Interest rates would, of course, rise, but that would increase the incentive to new savings and lower prices on outstanding government issues would serve to discourage liquidation of present holdings. Furthermore, the Treasury should redesign the Savings Bonds so as to give them considerably longer maturity, increase the interest rate to an incentive basis and introduce a penalty for redemption before maturity so as to discourage inflationary spending of funds so invested. We cannot tolerate monetary inflation and we shall need desperately to increase private savings if we are to insure success in our effort to build an impregnable defense organization.

Parts of this program may be controversial and difficult to legislate and administer. Most of it would be obnoxious in the extreme in peacetime. But all of it may well be essential in time of crisis to strengthen our leadership, to divert civilian labor, production, consumption and incomes to the defense of the nation and to strike at the heart of the inflation problem by balancing the budget, increasing savings, stopping monetary expansion and reducing consumer incomes, after taxes and savings, to approximately the level of civilian goods production—measures without which any freeze of prices cannot possibly be effective.

No program such as this would be popular, but we can be sure that if we do not adopt vigorous measures during the defense or war emergency we will, when peace comes, wish that we had.

*An address by Mr. Shields at 57th Annual Luncheon of The Bronx Board of Trade, New York City, Dec. 14, 1950.

Dealer-Broker Investment Recommendations and Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Bank Stock Holders—Developments of interest: a list of cash dividends and capital changes in recent years — Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Coming Boom in Railroad Stocks—Comprehensive report including a discussion of rates and earnings, traffic, regional factors, capitalization, competitive position, management, merger possibilities, taxes, leverage, market position and impact of defense preparations upon the rails as a whole and projected valuation of 25 companies—Brady & Co., 52 Broadway, New York 5, N. Y.—$5.

Electric and Gas Utility Company Common Stocks—12th edition of tabulation of issues—First Boston Corporation, 100 Broadway, New York 5, N. Y.

Machinery Stocks—Analysis of **Caterpillar Tractor, Foster Wheeler, Blaw-Knox,** and **E. W. Bliss**—E. F. Hutton & Co., 61 Broadway, New York 6, N. Y.

Oil Stocks—Bulletin of comment with particular reference to those having interests in the Middle East—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

Also available is an analysis of the **Outlook for the Railroads.**

Over-the-Counter Index—Booklet showing an up-to-date comparison between the thirty listed industrial stocks used in the Dow-Jones Averages and the thirty-five over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over an eleven-year period—National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.

Puts & Calls—Explanatory pamphlet—Thomas, Haab & Botts, 50 Broadway, New York 4, N. Y.

Stocks to Buy—Stocks to Sell—Analysis plus **Tax Shelter** analysis and next four week's issues of 1951 Ratings and Reports—Special offer — $5. — The Value Line Investment Survey, 5 East 44th St., New York 17, N. Y.

Utilities—Discussion of situation with reference to possible tax consideration—G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y.

* * *

Allis Chambers Manufacturing Co. — Memorandum — Robert W. Baird & Co., 110 East Wisconsin Avenue, Milwaukee 1, Wis.

Also available is a memorandum on **Pabst Brewing Co.**

American Power & Light—Follow-up report—Kalb, Voorhis & Co., 25 Broad Street, New York 4, N. Y.

Bemis Bro. Bag Company — Analytical brochure—Blyth & Co., Inc., 14 Wall Street, New York 5, N. Y.

California Packing Corp—Memorandum—Dean Witter & Co., 14 Wall Street, New York 5, N. Y.

Cedar Point Field Trust—Memorandum — Yarnall & Co., 1528 Walnut Street, Philadelphia 2, Pa.

Cleveland-Cliffs Iron Co. — Analysis—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Also available is an analysis of **Missouri Pacific Railroad.**

Collins Radio Co. — Memorandum—Butler, Moser & Co., 14 Wall Street, New York 5, N. Y.

Cutler Hammer, Inc. — Special circular—Newburger & Co., 1342 Walnut Street, Philadelphia 7, Pa.

Gulf, Mobile & Ohio Railroad—Analysis — H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Interstate Motor Freight System—Memorandum — Shields & Co., 44 Wall Street, New York 5, N. Y.

Also available is a memorandum on **Zonelite Co.**

McGraw Electric Company — Analytical brochure—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y.

Newport Steel Corp. — Memorandum — Walston, Hoffman & Goodwin, 265 Montgomery Street, San Francisco 4, Calif.

Placer Development, Ltd. — Analysis — John R. Lewis, Inc., 1006 Second Avenue, Seattle 4, Wash.

Quaker Oats Co.—Memorandum—Lee Higginson Corp., 40 Wall Street, New York 5, N. Y.

Riverside Cement Company—Card memorandum — **Lerner & Co., 10 Post Office Square, Boston 9, Mass.**

Tele-Tone Radio Corp.—Memorandum—Sills, Fairman & Harris, 209 South La Salle Street, Chicago 4, Ill.

United Corp. — Memorandum — Auchincloss, Parker & Redpath, 52 Wall Street, New York 5, N. Y.

U. S. Thermo Control—Analysis — Raymond & Co., 148 State Street, Boston 9, Mass.

Also available is an analysis of **Simplex Paper.**

Warren Yates Joins Wood Gundy & Co.

CHICAGO, Ill.—Wood, Gundy & Co. Incorporated announce that Warren S. Yates has become associated with the firm in its Chicago office, 105 West Adams Street. Mr. Yates was formerly with C. F. Childs & Co.

Leonard G. Phillips

Leonard G. Phillips is engaging in the securities business from offices at 20 Exchange Place, New York City. He was formerly a principal of Phillips & Wellington.

This Peculiar Emergency

By W. RANDOLPH BURGESS*

Chairman, Executive Committee, National City Bank of New York

Pointing out there are no precedents or patterns to guide us in present emergency, prominent New York banker lists as economic requirements: (1) greater production; (2) less public spending; and (3) more public saving. Cites bankers' role in achieving these objectives, and advocates group committees of all classes of bankers and insurance executives in each Federal Reserve district for collective action.

Our generation, the generation represented here, has met and overcome three major emergencies, including two world wars and the great depression. Now, with scarcely time to catch our breath, we are faced with another national crisis, different, more baffling, more exacting than any of the three which have gone before.

W. R. Burgess

In Korea our young men are in humiliating retreat, and may conceivably face another Batan or another Dunkirk.

And behind Korea lies the menace of a vast horde of people, semi-civilized by our standards, under control of a small group which seeks world empire by insidious, subtle, and violent means. We have learned in recent weeks to our cost that international communism is prepared to spend the lives of its masses freely to gain its ends.

This crisis is different in its uncertainty. There are no precedents or patterns to guide us.

It is appalling in its probable duration, for the great conflict between democracy and Communism seems likely to continue for the lifetime of every person in this room.

It is gigantic in the size of the problem. On the edge of China we face armed forces in the millions, with many potential millions behind them. Russia has under arms several million men. Communist intrigue and infiltration cover the face of the globe, with few or no areas which are immune. To contain this power completely is beyond the strength of any country, even the might of America; and we have learned bitterly what it means to overcommit ourselves. beyond our power to fulfill.

This struggle can be won only through an exceptional degree of international understanding and cooperation. Our forces must be supplemented by those of the Western democracies. To make this cohesion effective calls for agreement on ideas as well as action. It is a war of words as well as a war of weapons. It is a moral war even more than a physical war.

This vast effort over many years carries with it grave economic dangers—dangers of inflation and dangers of regimentation, which uncontrolled might well rob us of the freedom upon which our democracy is based.

On all these fronts the problem is complicated by the discovery that we have subversion in our midst; in government, in our universities, and in the ranks of our workers. Communism is working from the inside as well as from the outside. Many well-intentioned people have become the tools of Communism, through their failure to appreciate and support the institutions and traditions which are the core of American democracy.

In the face of these difficulties the only over-all answer is a great national effort, as great as or greater than we made in World War I or World War II, even though there may not be open war as stimulus. To be effective this effort calls for national unity, and an international understanding far beyond anything we have achieved before.

The Economic Requirements

In the economic field, the things we must do to get the job done without inflation and without too much regimentation are simple but tough.

The first thing is to produce more. The production index has now broken through the old peacetime ceilings, but we discovered, in World Wars I and II and following, that America's productive capacity is hugely larger than we ever suspected. We can produce more when we have to. For one thing, we can work longer hours. The working week now averages little more than 40 hours, as compared with 45 in World War II. Even with present hours we can beat present records; with better management, with greater individual effort, and more team work.

Second, we must spend less on other things to free our energy, and our material, and our productive capacity, and our money for the weapons of war. We have been living on the crest of the wave, a lush national existence by any of the old standards, whether it is defined in terms of the number of automobiles, the building of houses, the use of telephones, the consumption of food, the number of radios and televisions, or the lavishness of government spending, or any other standard. It is because we have so much fat on our bones that we can support a large arms program and still live very well.

Third, we must save more. There will be less automobiles and houses and knick-knacks produced to spend our money on, and if we try to spend all our money it means inflation; so we must save, just indeed as we did in World Wars I and II. We found that it pays, in terms of providing the funds for building more factories, and more houses, and a better standard of living after the war, and in giving many families a buffer and a cushion against times of adversity.

The Banker's Job

If we agree in the foregoing statement of national objectives, the banker has a vital role to play; for in our economic machine the flow of money is like the flow of lubricating oil in an industrial plant—without it the plant won't run. The flow of money is a prime essential.

First, the bankers can aid production by seeing that all the financial machinery runs smoothly, by the judicious application of credit at the right spot, and by his counsel to the businessman.

Second, the banker can help in restraining non-defense spending. This has been recognized in the action of the Federal Reserve System through Regulations W and X, and through its moves on credit policy. The banker can explain and support these regulations, so that the businessman will comply with understanding rather than complaint. These regulations offer a reasonable way of cutting down spending for automobiles, houses, refrigerators, televisions, and many other things which make life pleasont, to make room for defense work. Taxation, also, will almost automatically cut back a certain amount of spending, and there is no escape from heavy taxation. The general acceptance of the pay-as-you-go principle is a bright spot in a dark picture. The main problem is to focus taxes where they will do the least long-term damage in crippling the economic machine.

Another form of restraint which is not only desirable but essential is restraint on extravagant government spending for non-defense purposes. If such spending were cut back only to the levels of 1948, there would be a savings of $6 billion. Government would be in a better position to ask people to make sacrifices if its own hands are clean, but the politicians in power will do this only if they have support and mandates from the grass roots. That is where the banker comes in, because he is the man in each community who understands, or ought to understand, something about the Federal budget, and can tell his neighbors why govermental economy is essential if our side is to win in this great conflict which is ahead and preserve the value of the dollar.

In the category of spending less and concentrating the nation's efforts on defense comes the general problem which this Conference has been considering, of restraining the use of credit for unnecessary purposes. This is perhaps the hardest thing the banker has to do in the present national program. For the banker is competing for business, and the way to get business from businessmen is to make loans. Moreover, the banker shrinks from setting himself up as a judge as to whether any particular loan is justified or not in the national interest.

The most promising suggestion for getting beyond generalities and down to practical action seems to me the proposal for a group of committees organized by Federal Reserve Districts, on which would be representative bankers, insurance executives, and investment bankers. These committees would meet with the presidents of the Federal Reserve Banks, and would seek to devise definitions of the kinds of credit that are desirable to promote production, and the kinds which are inflationary and should be restrained. With such a definition and under such leadership it should be easier for the average banker to exercise discretion in his lending. This will never be really easy, but it will be one of the banker's best aids to keeping the nation's economy on an even keel.

Third, the banker can foster savings. It is his time-honored role. He has always opened his doors to savings deposits. He has encouraged investments by his customers, and in World Wars I and II and since then the bankers of the country made a magnificent record in the sale of Government Bonds.

There is a tendency today to criticize Government Savings Bonds because their buying power has declined as prices have risen. The banker should remember, first, that whatever criticism of this sort is made of Savings Bonds applies equally to the savings deposits which he takes in over the counter, to the life insurance which most of the families of the country are buying, and to pension plans which we all support.

The answer to the inflationary trend is not to sell less Savings Bonds, but to sell more, and at the same time to do the other things we ought to do to keep the price level from getting out of hand. What is needed today is a great national movement of all of the people to support the defense program, to produce more, to spend less, and to save more. There is no better vehicle for educating the people in this essential step than a steady and persistent campaign to persuade people to buy Savings Bonds. That is the banker's job, and we can't shrink from it. The fact that we sell Savings Bonds or take savings deposits does place on us and on the government that issues the bonds a solemn obligation to protect their value.

Working With Government

This raises the question of our relation to government. We have just been through a bitter election campaign in which a good many harsh things were said, including an ardent desire on the part of many earnest citizens to throw the government out. But the election is now over. This Administration will be in office whether we like it or not for another two years, and the government we have is our government. Unless the people and the government work together we cannot possibly meet the present crisis effectively. We must work with the government and—just as truly—the government must work with us. In the next few years many bankers will have to serve the government in one place or another. In the years since World War II thousands of able people have left the government service, and the quality of our government has deteriorated despite efforts to recruit good men. We cannot win in the struggle we are now facing if we use a third or fourth team government. To win this struggle the full first team will have to be called into action, and the team will have to respond when it is called. If the first team does get to work with high morale and with energy we can win again, just as we always have in the past.

*An address by Mr. Burgess before the National Credit Conference of the American Bankers Association, Chicago, Ill., Dec. 16, 1950.

Perdun to Be Partner In Smith, Barney Co.

Winfield H. Perdun will become a partner in Smith, Barney & Co., 14 Wall Street, New York City, members of the New York Stock Exchange, on Jan. 1. Mr. Perdun, who joined Smith, Barney & Co. in July, was formerly a partner in Laurence M. Marks & Co.

Tifft Brothers to Admit Clark to Partnership

SPRINGFIELD, Mass. — Tifft Brothers, 1387 Main Street, members of the New York and Boston Stock Exchanges, will admit Arthur M. P. Clark to partnership on Jan. 1. Mr. Clark has been with the firm for many years.

Wage-Price Controls

By A. L. GITLOW
School of Commerce, Accounts and Finance, N. Y. U.

Economist distinguishes between two types of wage adjustments in collective bargaining, viz: (1) wage changes based on productivity; and (2) cost-of-living wage increases. Holds, because of adverse effects and inequities, both types should be deprived of automatic character by regulating authorities.

Deteriorating international relations are pressing the subject of active economic controls domestically to the front. Although many who are eager for price control are less than lukewarm for wage control, current "standby" legislation provides that both must be instituted simultaneously. This legislation recognizes the intimate connection between wages, the major cost in production, and prices. In effect, it admits that prices cannot have a real ceiling so long as wages are free to rise without let or hindrance. Unfortunately, this recognition may not be sufficient to guarantee effective price control, should that eventuality be forced by total war.[1] Two contract clauses, which have become increasingly widespread in important recent collective bargaining agreements, are likely to abort effective price control. The first is the automatic annual wage increment, based on assumed advances in productivity.[2] The second is the provision for automatic wage increases related to rises in some cost-of-living index (usually the BLS consumers' price index).

Abraham L. Gitlow

Productivity Wage Increases

This type of contract clause may destroy price control as a consequence of two factors. First, productivity suffers under partial or total war conditions. Second, there is no legal opportunity for firms or industries suffering increasing unit labor costs to pass them on.

Automatic annual wage increments assume constant year-to-year economy-wide advanees in productivity. This assumption rests on the long-term productivity advance of the American economy, which amounts to some 2% when figured on an annual basis. Unfortunately, actual productivity changes vary from year-to-year, industry-to-industry, company to company, and plant to plant or department to department within a company. In addition, productivity advances are checked, and may even regress, under wartime conditions. Thus, labor efficiency suffers due to longer hours, the employment of less efficient workers, increased lateness, increased absenteeism and a higher labor turnover rate. Businessmen and managers find themselves unable to offset reduced worker effectiveness by capital improvement—the fundamental source of productivity advances. The reason is simple. The industries which produce capital equipment are tied up in war production. This is a common wartime phenomenon.

The consequences are plain. Unfavorable productivity, coupled with wage increments which assume a favorable productivity picture, means rising unit labor costs. With price control, rising costs must not be passed on to buyers. Business will find itself badly squeezed, and we shall witness the spectacle of numerous applications to the control authorities for relief. Being based on fact, and therefore capable of strong and persuasive advocacy, these applications are likely to be granted. As they are granted effective price control flies out the window. It becomes a bitter fable, rather than a reality.

Cost-of-Living Wage Increases

If prices were controlled effectively, we need not fear this contract clause. But we have seen one reason why prices will rise! There are additional reasons. Increased working hours and increased employment drives total incomes up. If incompletely taxed, a likely case, increased incomes mean increased spending power, and unbearable pressure which drives prices upward. This too is a common wartime phenomenon. It occurs even if wage rates are held constant, as they presumably would be under existing legislation.

As prices rise, the contract clauses granting automatic cost-of-living wage increments become operative. Consequently, wage rates rise, increasing further the inflationary impact of greater total money incomes. A vicious upward price spiral is thereby intensified.

Conclusion

It appears obvious that our existing legislation requires modification in the light of these considerations. Some critical danger line must be drawn for prices. To guarantee the holding of this line, the two types of contract clauses noted herein should be deprived of their automatic character. The controlling authorities would, of course, retain power to act for the alleviation of hardship and the elimination of inequities.

[1] I am not discussing here the relative merits of a fully controlled economy to fight inflation under partial mobilization, as against one which fights it by attacking the real causes through higher taxes, stringent credit restrictions, etc. An excellent article on this subject appeared in *Fortune*, December, 1950.

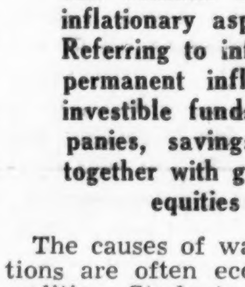
[2] Jules Backman and A. L. Gitlow, "Automatic Annual Improvement Provisions," *Review of Economics and Statistics*, February, 1950, p. 103.

Democracy, Inflation, and The Stock Market Outlook

By ERNEST JELLINEK
Partner, Gilchrist, Bliss & Co., Members N. Y. S. E.

Mr. Jellinek contrasts the present economic and political inflationary aspects here with those of the past in Europe. Referring to inflation's impact on the stock market, declares permanent inflationary elements combined with increasing investible funds in hands of mutual funds, insurance companies, savings banks, trust officers, and pension funds, together with growing employee stock-ownership, will cushion equities and make them a buy on every break.

The causes of war and revolutions are often economic abnormalities. Students of history are aware of the main reasons of World War I—Germany's lost opportunities to acquire colonies, her "Drang nach Lebensraum," a "place in the sun," as the old Kaiser used to say. The economic inequities of the Treaties of Versailles and St. Germain were the seeds of World War II. The splitup of the old Austrian Empire resulting in high tariffs and unbridgeable barriers between the newly created Central European States; and in the case of Germany, reparations, loss of export markets created unemployment and disorganization of her economy; brought incredible inflation. In Germany, for instance, the price of a postage stamp came up to many billions of marks. Further, lack of foreign currencies to import necessary raw materials brought industry into bankruptcy with an impossibility to stop inflation. The German people could not protect their savings and in desperation were driven into the hands of the Nazi politicians, hoping for a savior out of this economic collapse.



Ernest Jellinek

In our country today inflation is the topic of every editorial, political address and talk in every circle of society. How different, though, are the circumstances! We have tremendous wealth in raw materials, industrial plant and equipment which are functioning at top level in a more or less self-sufficient economy. Our markets are intact. Today the investor, small or large, is conscious of the productive value accumulated in our leading corporations and the liberal income derived from regularly paid dividends. Participation in those resources of industry are available to every American much below book value or replacement cost. He can buy one share of stock as easily as 100 shares or more. It took 20 years to change the gambling approach to the Stock Market to one of investment. Participation in our industry insures the continuity of our democratic way of life. Wherever the individual is dubious of taking the investment risk himself, the purchase of common stock is done via investment trusts. Therefore, today the public is so conscious of the values of common equities and is aware of the limited and controlled inflation frozen into our economy that the market becomes almost immune against scare news.

The Market Implication

After the above overall observation, what is the market appraisal of these inflationary conditions?

It is not surprising to me that the market has been holding at a relatively high level in spite of the news of the Korean reverses, the possibility of a world conflagration, the prospective enormous budget requirements due to colossal expenditures on armaments, and consequently increased taxation. All this directs the U. S. economy towards one trend, **further inflation.** Anybody familiar with the reports of the Federal Reserve Board knows the astounding cash and bank deposits, the latest figures showing $173 billion, the highest level ever reached. However, today, the powerful buyers are no longer the individual "market tycoons" of the pre-1929-1932 era. Since then new groups of common stock investors appeared on the financial horizon such as: Investment Trusts, Insur-

Continued on page 43

Railroad Securities

Seaboard Air Line

Seaboard Air Line common has been one of the outstanding speculative favorites in the boom railroad market of the past six months, and with considerable justification. For one thing, the management has shown increasing willingness to be reasonably liberal with respect to dividends. In the early days following consummation of the reorganization there had been considerable dissatisfaction on this score. It was not until the opening quarter of this year that a regular dividend was established, although a total of $1.50 a share was distributed at irregular intervals in 1949. The first two regular quarterly dividends were $0.50 each. In the third 1950 quarter this was increased to $0.75 and in the fourth quarter there was an extra of $0.50, bringing the total for the full year to $3.00.

Despite the sharp price rise that has already been witnessed, most rail analysts still consider the stock as outstandingly attractive. Basically, the road appears to be in a very strong position. The territory served by the road embraces some of the most productive portions of the south, including citrus fruit, vegetable, cotton, lumber, and phosphate rock areas as well as widely diversified manufacturing centers. The industrial development and traffic solicitation departments have been particularly aggressive over a period of years. As a result, the general industrial expansion of the southeast has found particular reflection in traffic and revenue trends of Seaboard. The trends have been appreciably better than those of the Southern Region as a whole or those of all Class I carriers.

Throughout its long receivership, and in the years since the receivership has been terminated, Seaboard has been in a position to spend lavishly on the properties. The roadway structure and yards have been improved materially, and maintenance has been mechanized. Also, the road has gone in heavily for diesel power. These property betterments and the new equipment installed have found sharp reflection in an improved operating status for the road. This trend should gain further impetus as additional diesels are installed and as additional yard improvements now under way are completed.

Early this year Seaboard was able to refund its First Mortgage bonds with an appreciable saving in interests costs. It is considered possible in many quarters that the Income bonds may be refunded next year, perhaps with a convertible issue. In any such operation it would be possible to reduce the amount outstanding ($43,728,000 on December 31, 1949) substantially as the company has large cash resources over and above those carried in the balance sheet among current assets. The advantage in getting rid of the present Income bonds, regardless of any possible saving in interest costs, would be the opportunity to eliminate the onerous Additions and Betterment fund. This fund is one of the heaviest, if not actually the heaviest, imposed on any railroad in reorganization. The provision for this fund is incorporated in the indenture of the present income bonds and can only be eliminated by their retirement.

Last year's results afford a dramatic illustration of just what the Additions and Betterment fund means to holders of the common stock. Reported earnings on the common last year were $8.71 before funds. After providing for the Additions and Betterment fund and sinking funds the available income was reduced to $4.89 a share. Actually, even allowing for these funds and based solely on so-called "available income," earnings more than justify the present price for the shares. For the 10 months through October reported earnings amounted to $11.35 a share and after funds they totaled $8.56 a share. This compared with $6.56 and $3.64, respectively, a year earlier. Even after allowing for the funds, it is estimated that this year's earnings on the common will reach $12.00 a share. On the basis of the present traffic outlook and the likelihood of further improvement in operating efficiency, the company should be able to earn more than that next year even with higher taxes. If so, further liberalization of dividend distributions appears distinctly possible.

Western Pacific RR. 3⅛% Bonds Offered

A banking group headed jointly by Union Securities Corp. and Glore, Forgan & Co. on Dec. 20 offered to the public $22,000,000 of Western Pacific RR. Co. first and refunding mortgage 3⅛% bonds, series A, dated Jan. 1, 1951 and due Jan. 1, 1981. The bonds are priced at 100.485%. The group won award of the bonds at competitive sale on Dec. 19 on a bid of 99.64%. The issue and sale of the bonds are subject to authorization by the Interstate Commerce Commission.

Part of the proceeds from the financing, together with other funds, will be used by the railroad company to redeem $10,000,000 outstanding first mortgage 4% bonds due 1974 and $6,113,300 general mortgage 4½% income bonds due 2014. The balance of the proceeds will be used to replenish the company's treasury for capital expenditures made heretofore and to provide funds for further additions and improvements to the property.

The bonds will have the benefit of an annual sinking fund for which the bonds will be redeemable at prices ranging from 102% to 100%, plus accrued interest. For optional redemption purposes the bonds will be redeemable at prices ranging from 104½% to 100%, plus accrued interest.

Wood, Walker to Admit

Wood, Walker & Co., 63 Wall Street, New York City, members of the New York Stock Exchange, will admit John S. Tilney to partnership on Jan. 1. The Estate of John J. Whipple will withdraw as a limited partner of the firm on Dec. 1.

Railroad Problems, Management and Securities

By PATRICK B. McGINNIS*
Senior Partner, McGinnis & Co., New York City
Members of New York Stock Exchange

Rail securities specialist, after commenting on increased public interest in railroad stocks in the wake of Korean crisis, deplores "terrific cycles of values and peaks in railroad securities," and says they can be eliminated by legislation which would place railroads on equal basis in competition with other carriers. Reviews legal discriminations against railroads, and calls for improved and efficient railroad management.

Last night I looked up the various dates when I talked to the Association of Customers Brokers that is sponsoring this meeting today. The first was in 1940. The next time was in 1942, also in 1944 and 1945. In 1940 and 1942, I did not have to say very much about the railroad problems, because the securities were so cheap, and so low priced that I could draw conclusions about them with almost complete disregard of the so-called problems of the industry.


Patrick B. McGinnis

In 1940 and 1942, during those talks that I gave, I had at one time over $5 billion worth of "merchandise." By that I mean we had $5 billion worth of par value bonds, the obligations of railroads in receivership or in bankruptcy.

During the war, and since the war—World War II—all of those roads of any consequence, with the exception of two, the Missouri Pacific and Wisconsin Central, have been reorganized and are operating under the new capitalizations.

So the "merchandise" we talk about today, with those two exceptions, is in competition with the other "merchandise," such as industrial stocks and utility stocks.

Since June 25, unfortunately, we have had a tremendous interest in railroad securities. Perhaps I should put it the other way. The public has developed a tremendous interest in railroad securities for an unfortunate reason—the Korean crisis—which appears to be accelerated rather than diminished. And there is no question but that once again the railroads of the country will be required to do what they did from 1942 to 1945 and carry, perhaps, as high as 90% of the military personnel, and as high as 90% of the freight-ton-miles.

I was in the Office of Defense Transportation in the last war and have something to do with it in this war. We are anticipating in 1951 a volume in freight of 750 billion ton-miles, which will be greater than any of the war years in World War II. I think the previous high was in 1944, when it hit something like 735 billion ton-miles.

Already the effect of increased business since June has created profits for the railroads which, naturally, has drawn your interest, and the interest of your customers, so that, including the mail pay, 1950 will be the third best year financially in railroad history. The Class I railroads will earn this year, including the mail pay, around $725 million net income.

The greatest year the railroads ever had was in 1942. Except for that year, this will probably be pretty close to the best year they ever had. As much as any industry can be protected, they are protected against excess profits taxes.

Earnings Outlook

Normally, our great worry about the railroad industry is gross revenues and net income. For the foreseeable future, certainly next year and the year after no such concern will be necessary because they will carry a tremendous freight volume and probably a good passenger volume.

So, with that statement, I could conclude and say that is the end of my speech. The railroads are going to have a tremendous amount of gross business, and subject to taxes, they will earn a lot of money. Therefore, all rail securities should advance. And, to some extent, that is what they have been doing and will continue to do.

However, that approach does not appeal to me, any more than it did in 1942, when I was running the classes in the N. Y. Stock Exchange Institute. I recognize a lot of my former students who are here. It was no pleasure for me to recommend rails, because of World War II. Frankly, if I could not recommend rails today, except for the reason of the Korean situation, I would not have agreed to talk here today. It would be no pleasure for me to do so, and I am sure it would be no pleasure for you to listen.

Therefore, I have chosen "railroad problems" as I see them, as not today's problem, but the real problems that the railroads have. The solution of these problems would, perhaps, end these terrific cycles of valleys and peaks which railroad securities have had since I have been in the Street and, really, since 1914.

Fortunately, perhaps for me, when I was trying to find some solution to this railroad reorganization problem, railroad credit had reached its lowest depths in history.

I stopped talking, fortunately, in 1945, about railroad securities. But some of the other boys did not. I kept reading the other people's analyses of the problem and it continued to be a problem, the solution of which has apparently defied almost everyone.

As I see it, I have had something to do with the change in management of several railroads, and I am rather proud of the success I have had with the small one I attempted on my own.

Within the last four or five years groups have moved, perhaps slowly, into the management of several American railroads. I think they will eventually get their heads together to try to solve these problems as I see them.

Problem of "Exempt Carriers"

The first great problem which the railroads have is the problem of "exempt carriers." There are three parts to the law—the Interstate Commerce Act—Part I for rails, Part II for motor carriers and Part III for water carriers.

One of the sections of Part II, the motor carriers, excludes motor carriers carrying agricultural commodities, and fish. Because we have more fishermen and farmers who are voters than we have railroadmen, this exemption was put in so that a farmer could carry his pigs and grain to the market and a fisherman could take his fish to the market.

The Act defines fish as fish taken directly from the water. It tried to define commodities as something the farmer grew and took to the market.

Congress had in mind the farmer and the fisherman. The section is now abused by the exempt carrier. The exempt carrier now, according to the ICC figures, has reached a total of 40,000. Now, when you think about that, you begin to wonder. There are only 20,000 common carriers registered with the ICC. There are 40,000 exempt carriers.

So far as motor-power units are concerned, it is true that the 20,000 registered carriers have 250,000 power units and the exempt carriers have 150,000. But, nevertheless, this exempt carrier has come up, it swept the country, and this exempt carrier has been particularly effective since the end of the war—1945. The exempt carrier has stretched agricultural commodities and fish to include almost everything.

It includes fish, oysters, clams, smoked fish, kippered fish, and any kind of fish; agricultural commodities now means oranges and frozen fruits, and this, that and the other thing, to the point where, in 1946, for example, the truckers got about 16% of the Florida business. That included citrus fruits and so forth. In 1950, they got 51%.

I know a great deal about this personally, because a year ago, Norfolk & Southern lost its big cash crop, potatoes, to the exempt trucker.

The exempt trucker not only takes advantage for the farmer and the fisherman, but he brings back a return load. And he does it by the device of "trip-leasing." He brings a load of potatoes from North Carolina and takes back something else in his truck, but in order to do that and not violate the law, he hires out himself and his truck to some other carrier which has the right to take products from New York to North Carolina. He picks and chooses and does as he pleases.

Now, you don't hear much about this. But one of the difficulties, and perhaps the great difficulty, of the American railroads as I see them, is the difficulty of getting the railroads to agree among themselves — not only on this problem, but on a great many other problems. In other words, while this problem might seriously affect the Seaboard and the Atlantic Coast Line, it might not have any effect on some other carrier and the application of this rule might be of no consequence to the other railroad. That has been our difficulty, I think, in getting the railroads together, so as to appeal to Congress to put this law back the way it was intended. And, it would be very simple. Simply allow the farmer, or the fisherman, to carry his produce to the market. I would be simple as that.

And I think that the new group —and I think most of you know, generally, whom I speak of, will eventually present the problem as simple as that. The farmer gets no benefit from this and the fisherman gets no benefit from it. The only person who gets any benefit, are a bunch of fly-by-night exempt truckers, who have no responsibility, in my opinion, who don't disclose their rates, and the only regulations they are subject to—and there is a lot of question about that—are weight laws and police powers, such as speeding.

Congress cannot let this go on and then expect the railroads to all of a sudden carry the whole load, as they will have to do over the next year or two years and perhaps longer.

Problem of Contract Carrier

The second great problem is the contract carrier. The railroads, we are told, time and time again, are your bulk carriers. There is no question about it. **We are bulk carriers. We can put 50 tons in a car, and put 150 cars on a train, and lug it a thousand miles behind one Diesel engine, 4500 horsepower. We are bulk carriers.**

The truck is a retail carrier. It always will be, and there is no way of getting around it. Everyone concedes the railroads are bulk carriers, but we are operating under retail rates, because our rate is the boxcar, or the gondola. One carload is our rate.

The contract carrier trucks—which are retail carriers—operate under bulk rates.

We have a man who ships 100 cars product a year. He gets the same rate for 100 cars as he does for one car. We take it anywhere in the United States, at any time that he wants us to. No matter what it is. The contract carrier does what he pleases. In the first place, he makes an agreed or bulk rate. He goes up to the shipper and makes a rate. We don't know what his rate is, and there is no practical way to find out what it is. He knows the rail rate, because it has to be published. So they know our rates, but we do not know their rates.

They go in and make a bulk rate. They take all your products. For how long? Well, as long as you will sign the contract—five, 10 or even 20 years.

Now, the principle that apparently was behind this originally was that the railroads cannot make a bulk rate, because it would discriminate against the small shipper. That is the theory.

The difficulty in the law is that they did not apply it to the contract carrier. They wanted to prohibit us from making special contracts with the big shipper, yet the law allows contract earners to do just that.

Now, I suggest that the law of discrimination should be applied to the contract carriers, the exempt carriers, and the water carriers, or it should be removed from the books. I personally as a railroad man would rather see it removed and let the chips fall where they may.

We cannot go on forever, having the contract carrier take our manufactured and miscellaneous products with his agreed bulk rates. It is completely uneconomic. We are the bulk carrier, operating at retail rates, and he is retail carrier, operating at bulk rates.

So, my suggestion is to take the umbrella away from us, and let us make bulk and agreed rates. That is what I would like. And we would put every contract carrier out of business tomorrow morning, if we did that. They could not compete with us if we did that. No contract carrier could ever compete with that.

As a matter of fact, the ICC says for us to go out and adjust our rates competitively. How can you do that when you don't know the rate is on the contract carrier, and there is no way of finding out what the rates is?

Water Carriers Competition

Now, as to water carriers: Everybody says it is cheaper to ship by water than it is by rail. So, in Part III of the Act, in which the water carriers are controlled —so-called controlled — they say that a ship which carries no more than three commodities is exempt from the regulation. You have few ships in the business today that carry more than three

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*From an address by Mr. McGinnis before the Association of Customers Brokers, New York City, Dec. 13, 1950.

Truman Announces Defense Plans

In radio address, Chief Executive says nation is in grave danger and reveals declaration of emergency, together with military and civilian goals to be attained in struggle against Communist aggression. Establishes new Defense Mobilization Office, under Charles E. Wilson, as Director. Pledges rebuilding arsenal of freedom.

President Harry S. Truman on Dec. 15 delivered a radio address to the nation in which he stressed the grave danger arising from Communist aggression, and also revealed measures already taken and to be taken to combat it, including his proclamation of a National Emergency which he signed the following day.

President Truman

The text of the President's address follows:

I am talking to you tonight about what our country is up against and what we are going to do about it.

Our homes, our nation, all the things we believe in, are in great danger. This danger has been created by the rulers of the Soviet Union.

For five years we have been working for peace and justice among nations. We have helped to bring the free nations of the world together in a great movement to establish a lasting peace. Against this movement for peace, the rulers of the Soviet Union have been waging a relentless attack. They have tried to undermine or overwhelm the free nations, one by one. They have used threats and treachery and violence.

In June, the forces of Communist imperialism broke out into open warfare in Korea. The United Nations moved to put down this act of aggression and, by October, had all but succeeded.

Then, in November, the Communists threw their Chinese armies into the battle against the free nations.

By this act, they have shown that they are now willing to push the world to the brink of a general war to get what they want. This is the real meaning of the events that have been taking place in Korea.

That is why we are in such grave danger.

The future of civilization depends on what we do—on what we do now, and in the months ahead.

We have the strength and we have the courage to overcome the danger that threatens our country. We must act calmly, wisely, and resolutely.

Outline of Program

Here are the things we will do:

First, we will continue to uphold, and if necessary to defend with arms the principles of the United Nations—the principles of freedom and justice.

Second, we will continue to work with the other free nations to strengthen our combined defenses.

Third, we will build up our own Army, Navy and Air Force, and make more weapons for ourselves and our allies.

Fourth, we will expand our economy and keep it on an even keel.

Now, I want to talk to you about each one of these things.

First: We will continue to uphold the principles of the United Nations.

We have no aggressive purpose. We will not use our strength for aggression. We are a tolerant and restrained people, deeply aware of our moral responsibilities and deeply aware of the horrors of war.

We believe in settling differences by peaceful means, and we have made honest efforts to bring about disarmament. We will continue those efforts, but we cannot yield to aggression.

Though the present situation is highly dangerous, we do not believe that war is inevitable. There is no conflict between the legitimate interests of the free world and those of the Soviet Union that cannot be settled by peaceful means. We will continue to take every honorable step we can to avoid general war.

But we will not engage in appeasement.

The world learned from Munich that security cannot be bought by appeasement.

Always Ready for Peaceful Solution

We are ready, as we have always been, to take part in efforts to reach a peaceful solution of the conflict in Korea. In fact, our representatives at Lake Success are taking part in just such efforts today.

We do not yet know whether the Chinese Communists are willing to enter into honest negotiations to settle the conflict in Korea. If negotiations are possible, we shall strive for a settlement that will make Korea a united, independent and democratic country. That is what the Korean people want, and that is what the United Nations has decided they are entitled to have.

Meanwhile, our troops in Korea are continuing to do their best to uphold the United Nations.

General Collins, Chief of Staff of the Army, who returned a few days ago from Korea, reported that our military forces there are well organized and well equipped. forces, together with their comrades in arms from many nations, I am confident that our military will continue to give a good account of themselves. They know they are fighting for the freedom and security of their own homes and families.

The danger we face exists not only in Korea. Therefore, the second thing we are going to do is to increase our efforts, with other free nations, to build up defenses against aggression in other parts of the world. In dealing with the Korean crisis, we are not going to ignore the danger of aggression elsewhere.

There is actual warfare in the Far East, but Europe and the rest of the world are also in great danger. The same menace—the menace of Communist aggression—threatens Europe as well as Asia.

To combat this menace, other free nations need our help, and we need theirs. We must work with a sense of real partnership and common purpose with these nations. We must stand firm with our allies, who have shown their courage and their love of freedom.

Cites North Atlantic Treaty

The United States, Canada, and the 10 nations of Western Europe who are united with us in the North Atlantic treaty have already begun to create combined military defenses. Secretary of State Acheson is flying to Europe on Sunday. He and representatives of these nations will complete the arrangements for setting up a joint Army, Navy and Air Force to defend Europe. The defense of Europe is of the utmost importance to the security of the United States.

We will continue to provide assistance to European countries, and to other free countries in other parts of the world, because their defense is also important to our own defense.

The Communist rulers are trying their hardest to split the free nations apart. If they should succeed, they would do staggering damage to the cause of freedom. Unity with our allies is now, and must continue to be, the foundation of our effort.

Working together, the free nations can create military forces strong enough to convince the Communist rulers that they cannot gain by aggression.

Working together, the free nations can present the common front, backed by strength, which is necessary if we are to be in a position to negotiate successfully with the Kremlin for peaceful settlements.

Working together, we hope we can prevent another world war.

In order to succeed, we in our country have a big job ahead of us.

Setting Up Defense Program

That is why the third thing we must do to meet the present danger is to step up our own defense program.

We are expanding our armed forces very rapidly.

We are speeding up the production of military equipment for our own armed forces and for our allies.

We have a large Navy. We have a powerful Air Force. We have units around which a strong Army can be built. But measured against the danger that confronts us, our forces are not adequate.

On June 25, when the Communists invaded the Republic of Korea, we had less than one and a half million men and women in our Army, Navy and Air Force. Today, our military strength has reached about two and a half million. Our next step is to increase the number of men and women on active duty to nearly three and a half million.

I have directed the armed forces to accomplish this as soon as possible. The Army and the Navy will be able to do this within a few months. It will take the Air Force somehwat longer. In addition to these men and women on active duty, we have about two million more in the National Guard and the Reserves who are subject to call.

As part of the process of achieving a speedier build-up, the number of men to be called up under the selective service system has been raised, and two additional National Guard divisions are being ordered to active duty in January.

At the same time, we will have a very rapid speed-up in the production of military equipment. Within one year, we will be turning out planes at five times the present rate of production. Within one year, combat vehicles will be coming off the production line at four times today's rate. Within one year, the rate of production of electronics equipment for defense will have multiplied four and a half times.

Will Produce Weapons for Allies

These will not be weapons for our armed forces alone. They will constitute an arsenal for the defense of freedom. Out of this arsenal, we will be able to send weapons to other free nations, to add to what they can produce for their own defenses. And in this same arsenal, we will provide a large reserve of weapons to equip additional units in our own armed

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Missouri Brevities

On Dec. 7, a group of underwriters headed by **Halsey, Stuart & Co. Inc.**, and including, among others, **George K. Baum & Co.**, Kansas City, publicly offered $25,000,000 of **Union Electric Co. of Missouri** first mortgage and collateral trust bonds, 2⅞% series, due Dec. 1, 1980, at 102.542% and accrued interest. The offering was oversubscribed. The proceeds of this issue are to be used toward the cost of the construction program of the utility company's system. The program will require additional financing through the sale of additional securities during the period through 1954.

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Net sales of **Brown Shoe Co., Inc.** and subsidiary for the fiscal year ended Oct. 31, 1950, amounted to $89,313,099, surpassing all previous records. This compares with net sales of $80,377,977 a year ago. Net earnings for the year just ended totaled $4,271,041, equal to $8.08 per share on the common stock, as against $2,543,052 a year ago, equal to $4.84 per share. The company's manufacturing and warehousing operations are now conducted in 36 separate plants located in the States of Missouri, Illinois, Indiana, Tennessee, Arkansas and New York. A new distributing plant in Trenton, Tenn., is now under construction. The company's franchise stores now number 482 . . . 64 new stores having been added during the year. The book value per common share was $52.62 at Oct. 31, 1950, compared with $39.41 a year before. A special dividend of $1 per share has been declared on the common stock, payable Jan. 2 to holders of record Dec. 15. On Dec. 1, last, a quarterly dividend of 60 cents per share was paid, as compared with 50 cents in previous quarters. The special dividend paid in January of 1950 was 80 cents per share.

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Edgar E. Rand, President of **International Shoe Co.**, St. Louis, announces that sales of the company for the year ended Nov. 30, 1950, totaled $198,657,900, or 4.6% over the previous year's level of $190,003,486. The increase in sales during the final six months of the year just closed 15.8% above the corresponding period of 1949 offset a decline of 7.5% in the first half. At the present time, the company has over $5,000,000 in military shoe orders, while International's sales in the 1950 year consisted solely of civilian shipments.

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Newhard, Cook & Co., Edward D. Jones & Co., Reinholdt and Gardner, Dempsey-Tegeler & Co. and **I. M. Simon & Co.** all of St. Louis, were included in the group of underwriters who on Dec. 15 publicly offered 17,889 shares of common stock (par $1) of **American Investment Co. of Illinois** at $17.50 per share. The shares represent the unsubscribed portion of the 92,924 common shares initially offered at the same price to common stockholders of record Nov. 29, an offer which expired on Dec. 14. It is proposed to use the proceeds of the entire financing to the retirement on Jan. 15, 1951, of the 13,301 shares of outstanding 5% convertible preference stock, with the balance going to the general corporate funds which may be used in part to retire the series A $1.25 convertible preference stock.

* * *

St. Louis-San Francisco Ry. on Dec 14 sold at competitive bidding an issue of $5,595,000 2⅜% equipment trust certificates, series H, to **Halsey, Stuart & Co. Inc.** and associates on their bid of 98.53%. The certificates, were reoffered on Dec. 15 at prices to yield from 1.75% to 2.65%, according to maturity, will be secured by approximately $7,014,235 of new standard gauge railroad equipment. They will mature annually Dec. 1, 1951 to 1965, inclusive.

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G. H. Walker & Co. and **Stifel, Nicolaus & Co., Inc.**, both of St. Louis, participated in the public offering on Dec. 5 of 150,000 shares of common stock (par $1) of **The Fanner Manufacturing Co.** at $12 per share. The proceeds did not accrue to the Fanner company but went to a selling stockholder.

* * *

Hussman Refrigerator Co., St. Louis, Mo., has sold to Penn Mutual Life Insurance Co. of Philadelphia, Pa., an issue of 16,000 shares of $100 par value 4½% cumulative preferred stock at par and accrued dividends. The proceeds are to be used to acquire a site in St. Louis on which it is proposed to construct a warehouse.

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Missouri-Kansas-Texas RR. has placed orders for 11 new Diesel locomotive units, all of which are scheduled for delivery by July, 1951, according to R. J. Morfa, Chairman of the Board.

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Connecticut Brevities

Bigelow-Sanford Carpet Company is making plans to purchase the Georgia Rug Mill Inc. plant at Summerville, Georgia. The present plant employs 75 to 100. Bigelow-Sanford will take over operation of the plant on Dec. 22. The addition will give the company greater diversification in the soft floor coverings.

* * *

The Riverside Trust Company of Hartford will open its second branch bank about June 1, 1951. The new branch will be known as the Albany Avenue branch and will provide complete banking facilities, including a drive-in teller's window and a large parking area. Earlier this year Riverside merged with Portland Trust Company, which is now being operated as the Portland branch.

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The citric acid plant capacity of **Chas. Pfizer & Co.** at Groton will be doubled by next summer. To meet the increasing demand for this product by the pharmaceutical and medicinal industry, construction work has recently been started.

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Stoddard Brothers, Inc. has increased its authorized capitalization from $75,000 to $250,000. Present plans call for an offer of additional stock to present shareholders. The company, which bottles prune juice and apricot nectar under its Silverbirch label, has in 1950 shown an increase of 78.8% over the 1949 sales level.

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The President of **Electric Boat Co.** recently revealed that the company's backlog increased from $40 million on March 31 to $94 million at the end of November. Work on the new orders will extend into 1952 under present production schedules. During this year the company has been operating well below capacity and earnings will be below what is considered a normal level. Considerable effort has been devoted to developing new designs and tooling-up in preparation for the increase in volume.

* * *

Hartford-Empire Company reports earnings of $3.91 for the first nine months of 1950 compared to $1.99 for the same period in 1949. At Sept. 30, cash was $3,536,325 and working capital $6,206,392. The company has announced sale of the business of Pickering Governor Co. to Champlain Co., Inc. of Bloomfield, N. J.

The annual report of **The Plastic Wire & Cable Corporation** shows earnings of $0.68 a share on the common stock for the year ended Sept. 30. During the year, sales increased by 44% over the previous year. Of the total sales, 28% were to the government, but currently about 60%-65% of sales are on government contracts and volume is at record levels. The present backlog on government contracts is about $3.5 million.

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Russell Manufacturing Co. has announced receipt of a government order for 8,900,000 yards of cotton webbing at a price of from 4.625 to 17.5 cents a yard.

* * *

National Fire Insurance Company has formed a health and accident department. At the present time a small volume of health and accident business is written by the company's subsidiary, United National Indemnity Co.

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Southern New England Telephone Co. has applied for a rate increase of 4% or about $190,000 a month. The company proposes to increase individual residence rates by from 35 to 45 cents a month and individual line business revenue rates by from $1 to $1.50 a month.

* * *

Connecticut General Life Insurance Company is offering stockholders of Puritan Life Insurance Co. of Providence, R. I., $37 a share for a minimum of 51% of the outstanding stock. Puritan, which has confined its operations to Rhode Island and Connecticut, has assets of $3 million and insurance-in-force of $12 million. Book value of the stock is approximately $48 a share. Plans call for the operation of Puritan as a separate company.

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Sales of **Fuller Brush Co.** for 1950, including the cosmetics line, are estimated at $37,500,000. This will be the largest volume in the company's history.

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Sales of **New Britain Machine Co.** have been increasing steadily since the fourth quarter of 1949. The level in the fourth quarter of $4.9 million was more than twice the first quarter sales of $2.2 million.

Stern & Byck Forming

As of Jan. 1, Stern & Byck, members of the New York Stock Exchange, will be formed with offices at 1 Wall Street, New York City. Partners will be Maurice S. Byck and Louis D. Stern, both Exchange members, general partners, and Charles Stern, limited partner. Mr. Byck has been active as an individual floor broker. Louis D. Stern and Charles Stern were partners in Stern Brothers which is being dissolved on Dec. 31.

To Be Whitcomb Partner

Whitcomb & Co., 14 Wall Street, New York City, members of the New York Stock Exchange, will admit William F. Bohner to partnership on Jan. 1.

Keep U. S. the Arsenal of Hope!

By HENRY FORD, II*

President, Ford Motor Company

Asserting nation must organize for long production race against international gangsters, leading auto executive advocates: (1) mighty military strength; (2) keeping our economy strong, healthy and progressive; (3) avoiding taxation or any other action that will kill incentive; and (4) expansion of production and technological advancement. Urges trained leadership for efficient organization in task, and defends right to criticize government. Deplores strikes as impediment to war effort and condemns existing wage-price spiral.

We have lived through two gigantic world wars—and a cold war which has broken out into another ominous conflict.

Henry Ford, 2nd

It may be trite to say that the meaning of these two wars and what has happened since is that we now live in "One World." But that is the simple fact of the matter.

And the result is that today the United States of America has become the Arsenal of Hope of that "One World."

What is going on not only affects the ways in which we may be able to go about our daily lives; it threatens to affect the human freedoms which Americans have always been ready to defend with their lives.

As I see it, three kinds of people all over the world are today looking to the United States as the great Arsenal of Hope.

First, there are the hundreds of millions of people in nations ruled by ruthless and power-hungry men. These people have lost their freedom. The only way they can recover this most priceless of all human possessions is through thought and speech and action. But they may not think or talk or act freely under penalty of death! They must think as they are told to think, speak as they are told to speak, act as they are told to act! They are prisoners looking through the occasional slits in the iron curtain toward the hope that is the United States.

Second, there are hundreds of millions of people in nations who believe in human freedom and are still free to maintain their freedom. But they have been so weakened by events of the past two decades that they no longer have the strength to stand up to aggressors who would enslave them. They are weak and need time and help to recuperate. They, too, pin their hopes on us.

Third, there are the millions of people who are free and have been fortunate—people like ourselves. We, too, look to the United States of America as our Arsenal of Hope. We have confidence in ourselves. We have seen what we as a people can do to meet threats to our peace, our freedom, and our search for happiness. We know what our secret weapon is —the infinite resourcefulness, the infinite creative and productive ability of 150 million free human beings acting together toward a common goal.

It is popular in some quarters to accuse the American people of having become so preoccupied with material things as to have lost a sense of moral and spiritual values.

Such critics miss the point completely.

Of course we are proud of our automobiles and oilburners; our electric refrigerators and dishwashers; our radios and bulldozers; our bridges and skyscrapers. Furthermore, we are never satisfied with them, but seek to make them better and invent new ones. Each, in a way, is a milestone on the road of our pursuit of happiness. Each, in some way, eliminates human drudgery and increases what we like to call our high standard of living.

But we do not forget for one moment that we have these things because we are free to create them.

Life without freedom is being chained to slavish misery — a vicious circle at its most vicious, with each day whittling away a little more of each man's personal hope for bettering himself.

The pursuit of happiness is slow enough and difficult enough under the best of circumstances. Without individual rights to basic human freedoms, no people can embark upon it. And our millions of telephones and deep freezers and television sets are only a measure—though a very good one!—of the ever-widening circle of our moral and spiritual progress.

Must Take Stock of Situation

It seems to me just as wrong when leaders sit back with a smile and tell us that "everything is going to be all right." Sure things are going to be all right—but only if we make them all right. And we need to know all that can be known about what is wrong and what we can do to make it right.

The only way I know of dealing with a problem is to understand it as best I can, take stock on how well equipped I am to deal with it, decide what to do, and then to act. After that—I suspect like most of you—I usually have to start the process all over again. That is, reexamine the situation as it may have changed, and figure out something else to do.

What is the situation?

I don't want to over-simplify matters, but what's going on at the moment, as I understand it, is that another bunch of well-organized and well-equipped gangsters is on the loose and hell-bent on making our One World a world slavery. They threaten our lives, our properties, our liberties—as well as the lives and liberties of freedom-loving people everywhere. It is no idle threat, either, because organized communism with headquarters in Russia has made itself strong and powerful.

What have we got to do about it?

The answer can be as simply stated. On the one hand, we have to get—and stay—mighty in military strength to guard ourselves against this threat of force. Prudence suggests that we help our friends to get strong, too, so that we won't have to stand alone. On

Continued on page 16

*An address by Mr. Ford before the annual convention of the National Farm Bureau Federation, Dallas, Texas, Dec. 13, 1950.

Mutual Funds

By ROBERT R. RICH

L. H. Whitehead Joins National Securities

Sells Retail Division of Firm to Ryan, Hall & Co.

Mr. Henry J. Simonson, Jr., President, has announced that Mr. Louis H. Whitehead will join National Securities & Research Corporation as Vice-President and member of the Policy Committee on Jan. 2, 1951.

Louis H. Whitehead

Mr. Whitehead's advancement to the position will climax a career that has included experience in all phases of the investment business. As sole proprietor of Louis H. Whitehead Co., he has played an important part in the growth of mutual funds as a lecturer, financial writer and wholesale distributor.

Mr. Whitehead has arranged to merge the retail division of his present firm with Ryan, Hall and Co., Inc., 165 Broadway, and his upstate New York, Pennsylvania, New Jersey and New York City representatives, as well as a portion of the office personnel, will be absorbed by that firm.

Morton M. Banks and Frank J. Holcombe, Jr., at present wholesale representatives of Louis H. Whitehead Company, will acquire the wholesale business of the firm on Jan. 2, 1951, under the name of Banks and Holcombe, 44 Wall Street, New York City. Initially, they will represent General Capital Corporation and Commonwealth Investment Company.

In making the announcement, Mr. Simonson stated that Mr. Whitehead's energies will be devoted to the assistance of retail security dealers throughout the country, saying, "His broad and successful experience as an analyst and proprietor of a retail firm qualify him for the job and we are planning many additional means of assisting the dealers who are retail distributors of our funds."

As Vice-President of National Securities & Research Corporation, Mr. Whitehead will assume the duties of the position recently vacated upon the retirement of Vice-President Douglas Laird, one of the founders of the corporation in 1930.

When interviewed with respect to his new affiliation, Mr. Whitehead stated:

"Mutual funds have become the most dynamic division of the investment business. The great changes in social and economic conditions that have occurred during the past generation have created a definite need for the services that mutual funds can provide more satisfactorily than any other financial institution.

"Within a period of 20 years we have lost a few billionaires, but have gained many millions of capitalists as our greatly increased national income has been diffused throughout the social fabric of the country. Political parties have tried to outdo each other in their display of enthusiasm for social legislation while taxes consume an ever-increasing share of the national income.

"Such an environment calls for improved means of safeguarding the surplus funds of the people, and mutual funds supply the answer. They make it possible for any investor, large or small, to enjoy the benefits derived from the ownership of common stocks without burdening himself with the task of selecting and supervising his holdings, and without subjecting himself to the risks that arise from the ownership of an inadequately diversified group of issues. In addition, mutual funds free the investor of most of the detail work involved in caring for a list of investments, handling a large number of dividend and interest payments, keeping records and so forth.

"The policies and objectives of mutual funds vary widely, and whatever the preferences and requirements of an individual may be he is quite likely to find one or more funds which fulfill them. National Securities & Research Corporation sponsors and manages a large group of funds whose objectives are distributed over a wide range so as to meet the needs of investors of all shades of opinion, from the ultraconservative to the highly venturesome.

"I believe that one of the principal functions of a sponsoring organization is to make it easy for the security dealer to present mutual funds to his clients and prospects. The proper training of salesmen is one of many ways in which the sponsor can be of real assistance. Ambitious plans have been made to extend the dealer service facilities of National Securities & Research Corporation so that the firm's dealers may be able to serve more people more satisfactorily. Prosperity for the dealer is bound to spell progress for the sponsor.

"I cherish the many friendships which I have made among security dealers while I have been engaged in wholesaling, and look forward to the newly enlarged scope of my activities with genuine pleasure."

Mr. Whitehead obtained his undergraduate training at the Wharton School of Finance and Commerce of the University of Pennsylvania, where he was an honor graduate in 1925, and his post-graduate work was done at Syracuse University and at the Harvard Graduate School of Business Administration.

As investment managers and sponsors of National Securities Series and First Mutual Trust Fund, National Securities & Research Corporation is managing mutual funds having assets in excess of $80,000,000 and is recognized as one of the fastest growing organizations in the mutual fund industry.

SEC Considering Application of Policy Statement to Advertising

The Securities and Exchange Commission is reported considering the application of the present Statement of Policy to institutional advertising as well as its present application to sales literature.

At the time the Statement of Policy was released, opinion was that a separate codification of permissible practices would be necessary for institutional advertising.

Such a decision, with the necessary modification and clarification, would do much to end the almost total confusion into which the industry was thrown by the Hurlbutt letter (or Goode opinion) because of its conflict with the Cashion opinion, despite denials by James P. Goode, Assistant Director of Corporation Finance of the SEC, that his opinion conflicted at all with existing policy.

[Editor's Note: For further information on Cashion and Goode opinions, refer to the "Chronicle" of Feb. 2, 1950, page 14.]

Investors Stock Fund Directors Re-Elected

Assets Increase 32%; Shareholders Up 17%

All Directors of Investors Stock Fund were re-elected at the regular annual meeting in Minneapolis. They are: Chairman, Robert W. Purcell, Lakewood, Ohio; President, Harold K. Bradford, Minneapolis; Clarence E. Drake, Minneapolis; Randall F. Fullmer, Rocky River, Ohio; and Eugene B. Hanson, Wayzata, Minn.

Election of Directors was the only item of business on the agenda for the annual meeting and no other matters were presented by the shareholders.

Asked about the progress of the company during the year, President Bradford stated that the company's annual report was being prepared, showing results of operation during the fiscal year ended Oct. 31, 1950, in comparison with the figures for the year ended Oct. 31, 1949. He added that the report would be submitted to shareholders immediately upon its completion.

"When the report comes out," he continued, "it will present figures only as of Oct. 31, which was nearly two months ago. The progress reflected by the report, however, has been continuing since Oct. 31, as is reflected by comparison of current figures with those of a year ago, as follows:

	Number of Shareholders	Number of Shares Outstdg.	Aggregate Net Aessts
12-14-50	7,500	1,227,854	$17,664,660
12-14-49	6,400	1,030,685	13,321,329
Increase	17.2%	19.1%	32.6%

Asked how he feels about the prospects of the company for the coming year, Mr. Bradford replied that he did not believe in making financial prophecies at any time—much less today. He added that in this connection the Fund is fortunate in having Investors Diversified Services, Inc., as investment manager because the very size of its operations requires it to be so much better equipped than a small fund could possibly be to take into account the current complexities and uncertainties in outlining investment policies.

Periodic Payments Discussion Continues; Ohio Official Replies

William I. Johnston, Assistant Chief of the Division of Securities of the State of Ohio replies, on the opposite page of this issue, to Edward Mathews' criticism of Mr. Johnston's speech before the National Association of Securities Administrators in Detroit. Mr. Mathews is of Edward E. Mathews Company of Boston.

Institutional Shares Assets At Eight Million

Net assets of Institutional Shares, Ltd.'s four classes of shares at the close of its fiscal year Nov. 30, 1950, amounted to $8,324,925.94 compared with $7,456,780.03 on Nov. 30, 1949.

Institutional Shares, Ltd. during 1950 paid cash distributions of $259,823.02 from net investment income and $242,709.78 from realized security profits, on average net assets during 1950 of $7,890,852.98.

Investors Mutual Reports $61,000,000 Assets Gain

Investment Policy Guided By Outstanding Economists

Total net assets of Investors Mutual, Inc., one of the largest balanced "open end" investment funds, rose from $157,042,596 to $218,586,331 during the fiscal year ending Sept. 30, 1950, it was reported to the fund's shareholders and directors by Earl E. Crabb, Chairman and President of Investors Diversified Services, Inc.

Net assets of the fund rose more than $61,000,000 during the fiscal year. Net asset value rose from $11.61 at the end of the 1949 fiscal year to $12.94 per share at the close of fiscal 1950.

Shares outstanding rose from 13,519,319 held by 76,000 shareholders at the close of 1949 to 16,890,162 shares held by more than 89,000 shareholders in 48 states, Alaska, Hawaii and 15 foreign countries at the close of fiscal 1950.

For fiscal 1950 the company reported net income of $8,562,602, exclusive of net realized gain on investments, as compared with 1949 net income of $7,115,915, a gain of $1,446,687.

The company also reported for fiscal year 1950 a net realized gain on investments of $2,139,546, as compared with 1949 net realized gain of $1,019,225, an increase of $1,120,321.

Mr. Crabb told shareholders in the annual report that "Investment management problems are currently unusually complicated because our economy is so greatly influenced by the not easily predictable action of the Soviet Union and its satellites.

"Our approach to this situation," he said, "is to meet once each quarter with a group of 12 outstanding economists. Included is a scholar familiar with Communist psychology and recognized professionals in foreign affairs, agriculture, government, construction, labor and money."

From data, collective opinions and trends developed through these discussions, Investors economic research department prepares a "Summary of Economic Trends" reflecting the consultants' opinions and viewpoints. At subsequent investment management meetings the probable impact of these trends on the nation's economy is measured and decisions are made with respect to division of the Investors Mutual portfolio by security classifications and the diversifications of portfolio investments by industry classifications.

First Investors Files

First Investors Corp. (New York investment company) on Dec. 14 filed a registration statement with the SEC seeking registration of $12,000,000 of three series of Period payment Plans and Single Payment Plans for the Accumulation of Shares of Wellington Fund, Inc.

Pell, de Vegh Reports

Pell, de Vegh Mutual Fund, Inc. announced that net assets of the fund on Nov. 30 were equivalent to $30.08 per share, compared with $28.71 per share on Sept. 30, the close of the company's fiscal half-year, and with the original subscription price of $25 a share on April 5, 1950, when the fund began operations.

Associated Fund Trust Files

Associated Fund Trust of St. Louis, Mo., filed with the Securities and Exchange Commission on Dec. 20 a registration statement covering 15,000 fully paid $100 units and 35,000 instalment $100 units to be sold at face value. The underwriter is Associated Fund, Inc.

LETTER TO THE EDITOR:

Leon Keyserling Complains Of Jumbling of his Figures

Chairman of Council of Economic Advisers, in referring to stenographic report of his extemporaneous address before the Investment Bankers Association on Nov. 29, contained in the "Chronicle" of Dec. 14, states that he did not imply that in next five years national output would reach $500 billion, but places figure at $350 billion.

Editor, The Commercial and Financial Chronicle:

I have noticed your printing in the "Commercial and Financial Chronicle" on Thursday, Dec. 14, what you call a stenographic report of an address I delivered before the Investment Bankers Association in Hollywood, Fla., on Nov. 29, 1950. This address was delivered entirely extemporaneously and I always insist that I have a chance to review and edit stenographic transcripts of such addresses before they are issued or published for the obvious reason that such transcripts cannot be exact and invariably contain mistakes of omission or commission, particularly with regard to figures. The stenographic transcript of my Nov. 29 talk, however, was printed by you without submission to or editing by me and consequently it does include very blatant and important errors with regard to what I said and what my views are. I am not writing this to criticize or censure the "Commercial and Financial Chronicle," which has a natural interest in publishing information of interest to its readers, but merely to correct some of these important errors for the benefit of your readers and others. The most erroneous relate to my statements about the growth or expansion capacity of the United States. For example, your text attributes to me the statement that I predicted a year or two ago that our total annual national output would reach $350 billion within five years from then. What I said a year or two ago was that our annual output within five years from then would reach $300 billion, not $500 billion, which is made clear by many reports and articles which I have signed and by many transcripts which I have had a chance to edit. More importantly, the transcript of my Investment Bankers Association speech as printed in the "Commercial and Financial Chronicle" attributes to me the current prediction that our annual national output can and should reach $500 billion within five years from now. This is also erroneous, and is inconsistent with reports and articles which I have very recently signed and with transcripts which I have had a chance to edit. What I have in fact said is that we can and should reach $350 billion, not $500 billion, five years from now. I have used the $500 billion figure only to illustrate how far we would get if we expanded production during the next five years as much as we did between 1939 and 1944, but I have not said that we could or should expand that rapidly again. I have said that we should grow by about 25%, not 75%, over the next five years, and this would bring us to $350 billion, not $500 billion. The unedited stenographic transcript of my Investment Bankers Association speech, as printed by the "Commercial and Financial Chronicle," gets these various figures pretty thoroughly jumbled and I appreciate this opportunity to make the correction.


Leon H. Keyserling

I will appreciate it very much if you can print the foregoing statement at your earliest convenience.

LEON H. KEYSERLING,
Chairman,
Council of Economic Advisers.

LETTER TO THE EDITOR:

Ohio Official's Views on Periodic Payment Plans of Mutual Funds

William I. Johnston of the Ohio Division of Securities replies to Edward E. Mathews regarding desirability of such sales.

William I. Johnston, Assistant Chief of the Division of Securities of the State of Ohio, Department of Commerce, has furnished the "Chronicle" with a copy of his reply to a letter addressed to him by Edward E. Mathews, of Edward E. Mathews Co., Boston, Mass., which letter was published in the "Chronicle" of Dec. 7 (p. 15). The letter concerns the subject of "Periodic Payment Plans for Mutual Funds" regarding which Mr. Johnston addressed the Convention of the National Association of Securities Administrators in Detroit, Mich. (see "Chronicle" of Oct. 26, p. 13).


William I. Johnston

The text of Mr. Johnston's letter follows:

Mr. Edward E. Mathews,
Edward E. Mathews Co.,
53 State Street,
Boston 9, Mass.

Dear Mr. Mathews:

Thank you for your letter of Nov. 28, concerning my address before the Securities Administrators on Periodic Payment Plans. I have been asked to comment upon your letter, and I prefer to do so directly, in terms of the points of view which you have suggested.

The first impression which you gathered from the address—that I questioned the intent of the sponsors of the subject plans—may not have been taken from the frame of reference in which the article was prepared. The words "Intent and possible effects" refer to the economic bases on which the plans are drawn, and not the honorableness and forthrightness of the sponsors in disclosing all of the details of the offering.

Thus the questions: (1) Are the plans being directed to essentially new groups, of lower income than those who would purchase shares in individual transactions; and (2) Are the extra loading penalties in early redemptions directed to persons who can least afford to incur them?

Nothing in the address is an attempt to say who should or should not invest in equities. The point was made, however, that if Mutual Fund shares can profitably be sold to persons in the lower income brackets only with a plan which places a penalty on free redemption, then the shares are offered on unfair terms.

You ask if the 32% of the people in the lower income brackets should not have the same opportunity to invest in equities as persons of higher income. My answer is that they should have at least the same opportunity, without being subjected to additional loading or liquidating penalties in the case of an emergency redemption of shares.

You suggest that the presence of a termination penalty gives better service to planholders, as a deterrent to termination in times of depressed prices. To the small planholder, however, the question of redeeming his shares often does not allow him an alternative. You give figures which show a relatively low termination rate from October, 1940, to December, 1948. These, of course, were years of generally rising prices; and certainly they were not years of great unemployment.

I think it fair to assume that the periodic payment plan is primarily a sales mechanism. For the dealer selling Mutual Fund shares in individual transactions or on a voluntary periodic purchase plan, the regular loading charge makes the sale profitable. There is no need for an extra redemption penalty. But in sales to persons who would buy in these $10-$20-$30 amounts, removing a large part of a 10-year loading charge from the first year's payments does two things (in addition to making this kind of sale profitable): (1) locks the investor into the Fund for five to six years; and (2) places an extra penalty on one of the very benefits which is a selling point, immediate redeemability of shares at net asset value. To defend such a penalty on the basis that it coerces thrift would appear to place more social responsibility on the Mutual Funds than they could be expected to assume.

You point up the fact that the purchaser of an insurance policy, a home, an annuity, or other long-term obligation finds it unprofitable to liquidate early. Investmentwise, of course, the point is valid, for Mutual Fund shares as well. But inherent in the offering of a Mutual Fund share and in the structure of the Mutual Fund itself are matters which distinguish such an offering from any other.

The purchaser of an insurance policy or a home is acquiring the means of satisfying an emergency need. The purchaser of an annuity is buying a guaranteed future income. The investor in a Mutual Fund, on the other hand, is acquiring a current share of equity income, without having to obtain individual investment counsel, and without sacrificing diversification and liquidity. The enlightened legislation within which Mutual Funds operate is based on these principles. A plan of offering which places a penalty in the way of the basic free redeemability of the shares is, I believe, unfair.

The idea of encouraging more orderly marketing of Mutual Fund shares, with less switching, and of encouraging investors to think of these shares as long-term investments has much to recommend it. There are several voluntary periodic purchase plans registered in Ohio which I believe encourage these effects. But the job of broadening the base of ownership of Fund shares is one of education of investors in the nature of such an investment, rather than one of locking the investor into a plan if he is to avoid an extra loading penalty.

I shall be happy to discuss any of these points further, and I appreciate your writing to me in this matter.

WILLIAM I. JOHNSTON,
Assistant Chief.

Dec. 13, 1950.
State of Ohio
Department of Commerce
Division of Securities
614 Ohio Depts. of State Bldg.
Columbus 15, Ohio

Harry Eising

Harry Eising died at his home at the age of 83 after a brief illness. He was a special partner in Hirsch & Co.

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Keep U. S. the Arsenal of Hope!

the other hand, we've got to continue progress in our peacetime pursuits. For, in the long run, we can really lick this situation only by keeping our own economy strong and healthy and progressive.

In other words, we've got to strengthen our right hand to do what we normally nave two hands to do. And our left hand must be toughened into a powerful mailed fist that can meet force with force as may become necessary.

Stalin expects us to fall on our collective face on both jobs.

Now it seems obvious to me that if that is the gigantic two-fold job ahead of us, we cannot afford the luxury of business and politics as usual—of being just farmers and stockholders and managers and union members, each of us jockeying for special advantage in a highly competitive world. We become once again—as we have in every national emergency—Americans together, a nation of resourceful free human beings bent on justifying once more our confidence in ourselves and the faith of hundreds of millions of others in us.

A striking example of this individual. initiative and resourcefulness came to my attention recently.

Charles Lauritsen, Professor of Physics at the California Institute of Technology, helped our Armed Forces to develop the "shaped charge" idea used in our rocket projectiles. Sitting in his Pasadena home soon after the Korean war started he learned that our projectiles were failing to pierce the Russian-made tanks operated by the North Koreans. He took off immediately for the Navy Missile Center, deep in the California desert, to find out why. Within a few hours he and other top scientists showed how the difficulty could be remedied. Within three weeks from that time the improved projectile knocked out its first tank in Korea.

The Job Ahead

As I see it, the job ahead boils down to this—in the language of Professor Sumner Slichter of Harvard:

"Our conflict with Russia is not merely a competition in arms; it is fundamentally a contest in production—and a long-run contest."

Now a production race is something I understand. As the most productive farmers in all the history of the world, that is something you understand, too. Americans are production-proud, and have a right to be.

"Only the productive can be strong," said Wendell Willkie, "and only the strong can be free."

If that is the guts of the solution—greatly increased production —production for peace as well as production for war to keep the peace—then the world is right in looking to us as the great Arsenal of Hope. For production is our dish.

And if increased production is the one way out of this serious situation, then maybe we ought to place the military side of it, and the diplomatic side, and all the other sides of our problem in the hands of the best people we can find who are trained in those things—and insist upon a free track and a green light and lots of elbow room to get on with the kind of job we know how to do—raising American production all along the line.

Now, of course, it isn't as simple as that. For one thing, we have to have leadership—the kind of bold, fearless leadership that tells us the truth about changing situations, gives us the score on how we're doing, and tells us what more we have to do. Americans don't like to be told the situation is serious after we lose a battle. We have a right to be told before the battle is fought.

We've got to have organization, too, to keep us from flying off in a thousand different directions. We will undoubtedly have to have rules and regulations and temporary controls — what we have come to call government controls. That isn't bad in itself. It's as American as apple pie to have organization and controls—if it's done right.

To my way of thinking, government is the servant of all of us. We create governments to do for us as a group what none of us is strong enough to do individually. I get my dander up over government controls only when the servant starts thinking of itself as the master — when people in government get the idea that it is their job to plan our lives and order us to do things that we do better ourselves in our own way. And there are things we as Americans insist upon doing ourselves just because it's too dangerous to allow a central government to do them for us—though government might even, for a short time, do a better job.

And like all the rest of you, I reserve the right to squawk about the job the servant is doing. I certainly reserve the right to change my mind when the ballot box comes around again. As long as Americans can continue to do that, I'm not going to worry too much.

We at Ford Motor Company are already having to cut back production because of government limitations on the use of aluminum, copper, zinc, nickel, and other materials. Our position is simply this: we will willingly and without protest accept emergency regulations and cutbacks in our production schedules whenever it is in the national interest. We ask only that such emergency actions be taken systematically and with full disclosure of their necessity. It would be silly to ask us to lay off men, for example, without a compelling reason; we believe that cutbacks on civilian goods should, as far as possible, allow men to transfer directly to work on military goods.

For if there is one thing we cannot afford in a production race, it is to have men and machinery idle. The same thing applies to you as farmers—the United States cannot let good land and good men go unused, when the free world needs your produce.

There are other hurdles along the production raceway, too.

For example, economists remind us that each year the technological increase in productivity of our nation amounts to about 2%. That is, new inventions, new and improved machines and plants, plus better human effort, enable us to produce 2% more each year. On top of that, the labor force normally increases each year by about 1%. Taking these two items together, it means that every year, on the average, we increase our ability to produce by about 3%.

This is the figure, then, that we must try to step up greatly to win the long and tough production race with Russian Communism.

As you see, our ability to do this will depend largely on two things: the size of our labor force and stepping up technological advancement.

The first of these is going to be difficult. Today 61,200,000 people are employed — a near all-time record. Furthermore, millions of our best workers are going to have to be drawn off into military service. This will undoubtedly mean, as I see it, adding increasing numbers of women and older-age employees to the labor force. Even then, we cannot do the job by simply saying, "put more people to work." There aren't enough people to go around.

This points up the importance of doing everything we can to speed up our technology — expanded research and education, more and better plants, more efficient machines and tools, more efficient production methods—the kind of thing in which the American people have always led the world.

I should tell you that we in Detroit take with a large grain of salt the claim of the Russians that they invented mass production—and the automobile—and the airplane—and radio—and television. The only thing the Russians can take full credit for is their use of the Veto.

Capital Required for Technological Advance

Now to boost our technology and its application is going to take money. Lots of money — year in and year out. A single machine tool, as you know, can cost more than a quarter-million dollars.

Just to take an example, our company budgeted, in 1946, $500,000,000 to be laid out in the next five years for plant improvement and expansion and better machines and tools. In that period we have spent, not $500,000,000, but $600,000,000. And we plan to spend a billion dollars more during the next three years.

The way we look at it, this program is absolutely necessary just to keep us up-to-date in the constant peacetime competitive race to increase production efficiency.

The normal way and best way to keep such huge sums pouring into technological improvement is through savings and earnings. But this raises some questions.

The Taxation Problem

More and larger taxes are going to have to be raised to pay for building up our fighting strength —a very important half of the whole job ahead of us. And large hunks of those taxes are naturally going to have to be levied against American corporations — American business and industry. None of us quarrels with that. No industrial citizen wants to do one whit less than his full duty during the emergency years ahead.

But, as I see it, the way those taxes are levied is going to make a great deal of difference. The wrong way will not lead to our goal.

As I see it, it should be a fundamental principle that taxes are raised in such a way as to make sure that industry and individuals will have the incentive and the ability to keep on investing directly in our common future—putting their savings and earnings into our constantly increasing capacity to produce. For if it is a tough, long-term production race with Communist war-lords that we face, the health and development of our productive capacity is essential to the winning of the long-term peace, no matters what wars we might be dragged into over the shorter-term.

Our goal, after all, is not only paying for a war. It is also to keep our economy in so healthy a position that we will emerge from the present crisis stronger than ever.

The dangers and difficulties in the job ahead are clear to all of us. One is serious inflation, which could undermine our whole economy and leave us helpless to do either one of the jobs we have to do.

This trend toward inflation we see everyone about us. It is the old spiral. Increasing costs force prices up. Higher prices, in turn, necessitate higher wages and higher costs — and the process starts all over again.

Our costs at Ford Motor Company depend very importantly on wages, and I'm not referring only to labor costs at Ford Motor Company. The cost of materials and supplies—our other major item of costs — reflects the labor costs of our suppliers.

High Wages vs. General Welfare

We have always been proud that the name of Ford is associated with high wages. This makes sense to us. High wages mean good markets; low wages mean poor markets.

But wages don't exist in a vacuum.

We have recently negotiated a contract with the United Auto Workers which runs for five years—a long time; it's the longest contract we have ever had. The contract has been called by the Union "the best contract in the industry."

This contract gives us a real promise of stability, a knowledge of our probable labor costs within certain limits, and other advantages; we think it means the sustained high output of thousands of workers.

Of course, contracts in themselves do not assure stability — but they do represent a firm intention on the part of both parties to keep their houses in order for a long time. And I believe that the possibility of labor peace is very good now.

For one thing, I think that labor leaders are beginning to realize that they have worked themselves out into a pretty lonely, isolated spot. They are in danger of getting themselves into the same bad position that business was in 20 years ago, when too many businessmen were thinking of their own welfare first and the welfare of the nation second. Aggressive tactics of the past two decades on the part of labor have been understandable — but recent events indicate that the American people do not intend to have the terms of their progress dictated by labor unions any more than by businessmen. Neither businessmen nor labor leaders can afford to set their own particular interests ahead of those of the whole community. Nor can farmers—or any other single group.

The other reason for my optimism about labor peace is simply that everyone in the nation realizes only too well that we cannot win a production race if anyone drags his feet. We, as Americans of good will, simply must find peaceful ways to settle our disputes.

For strikes interfere with production—and nothing must interfere with production, for production is the way out of our difficulties.

But our difficulties and dangers are no greater than have been faced and overcome by other generations of Americans—as we will overcome these.

In closing, let me summarize briefly:

Today the United States has become the Arsenal of Hope of the "One World" in which we now all live. Hundreds of millions of people look to us—their only hope.

These are dangerous times. It would be folly to sit back and say "everything is going to be all right." Everything is going to be all right—but only if we make it so. We cannot afford the luxury of business and politics as usual—of being just farmers and stockholders and managers and union members, each jockeying for special advantage in a highly competitive world. We've become once again—as we have in every other national emergency — Americans together, a nation of resourceful, free human beings, bent on justifying once more our confidence in ourselves and the faith of hundreds of millions of others in us.

The essence of our problem as the Arsenal of Hope for the world is production — greatly increased production for peace as well as the defense of a free world. "Only the productive can be strong, and only the strong can be free." We know what our secret weapon is —the infinite resourcefulness, the infinite creativeness and productive abilities of 150 million free human beings, acting together toward a common goal.

If a tough, long-term production race is our problem, let's face it frankly and not try to kid ourselves. Let's organize ourselves to achieve that great goal. Let's ask government to call the signals—but call them loud and clear and keep up-to-date on the score —so that we know what is expected of us. And let's get on with a job we know how to do better than anybody else in the world.

We are not expected to be supermen, just free men. We can do the job better—any job—because we are free men.

Our difficulties and dangers as a nation are no greater today than other generations of Americans have faced and overcome. We have a big chore ahead of us —but, with the help of God, we can do it. We can make good as the world "Arsenal of Hope."

L. F. Rothschild to Admit Three Partners

L. F. Rothschild & Co., 120 Broadway, New York City, members of the New York Stock Exchange, on Jan. 1 will admit Hugh Samson, Alexander H. MacKinnon, and Burbank C. Young to partnership. Mr. Samson has been associated with the New York office for many years. Mr. Young is one of the resident managers of the Rochester, N. Y. office in the Lincoln-Alliance Bank Building. Mr. MacKinnon will make his headquarters at the firm's Montreal office, 1010 St. Catherine Street, West, of which he is Resident Manager.

McCurdy Joins Staff of Ball, Burge Co.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Ralph E. McCurdy, David G. Burley and Henry F. Otto have become associated with Ball, Burge & Kraus, Union Commerce Building, members of the New York and Midwest Stock Exchanges. Mr. McCurdy was formerly Manager of the listed trading department for Greene & Ladd and their predecessor Greene & Brock, with which firms Mr. Otto was also associated for many years.

Huddell Heads Dept. of Kay, Richards Co.

(Special to THE FINANCIAL CHRONICLE)

PITTSBURGH, Pa.—George H. Huddell has become associated with Kay, Richards & Co., Union Trust Building, members of the New York and Pittsburgh Stock Exchanges as Manager of their newly opened mutual funds department. Mr. Huddell was formerly with C. S. McKee & Co.

Grimm to Be Kidder, Peabody Partner

CHICAGO, Ill. — Willard T. Grimm, Manager of the Chicago office of Kidder, Peabody & Co., 135 South La Salle Street, members of the New York Stock Exchange, will be admitted to partnership in the firm on Jan. 1.

Thomson & McKinnon To Admit

Thomson & McKinnon, 11 Wall Street, New York City, members of the New York Stock Exchange, will admit Isabel Ross to limited partnership on Jan. 1. Alfred W. Mansfield, Jr., will withdraw from partnership in the firm on the same date.

Canadian Securities

By WILLIAM J. McKAY

The first phase of the freeing of the Canadian dollar has apparently been carried out entirely according to plan. As anticipated the rate of exchange has not been permitted to rise abruptly to its logical level of parity with the U. S. dollar. Following the initial movement when the rate rose to nearly 3% discount, there has been a steady decline to a fraction below 5%. At this period of the year it is normal for the Canadian dollar to experience seasonal pressure. In addition this year U. S. firms with affiliates in the Dominion appear to be repatriating profits on a larger scale than usual.

At the same time the bond market in Canada has been allowed to decline to a level where speculative purchases of internal bonds, which were effected prior to the freeing of the dollar, now show very little profit. This has consequently led to considerable liquidation of the speculative positions which were taken in the hope of a quick appreciation of the Canadian dollar to full parity with the U. S. dollar. From the present level therefore, the Canadian Exchange Control is in a position to dictate the course of the dollar without undue embarrassment from movements provoked by speculative activities.

Normally the trend of the dollar during the winter months is persistently weak, but this year there are unusual factors that might cause an earlier reversal of the customary tendency. In the first place, it is becoming increasingly evident that the Canadian dollar is potentially the strongest currency in the world. On the other hand mounting pressure on the U. S. dollar is causing foreign flight capital to seek other havens. With the probability of progressive removal of the remaining restrictions that still impede the entirely free operation of financial transactions with Canada the Dominion would become the principal recipient of foreign investment and flight capital. Swiss funds, for example, are now moving to countries that do not on the surface make favorable comparison with Canada, but they do afford perfect freedom from restrictions on the withdrawal of capital and securities. At the time of the establishment of one rate for the Canadian dollar, it had been hoped that Canada would have taken the opportunity to abolish the Foreign Exchange Control Board restrictions that have given rise to the multiple markets for transactions in securities.

There is now little doubt that the Canadian economic and financial situation is now sufficiently strong to enable the Dominion authorities to place the Canadian dollar in the same category as the U. S. dollar and the Swiss franc. The vast rearmament requirements of the Western world are alone sufficient to assure a Canadian economic boom of lasting duration. Increasing demand for the Dominion's tremendous wealth of readily exploitable natural resources should place the Canadian exchange reserves in an unassailable position, even in the event of complete removal of all exchange and foreign trade controls. The amazing buoyancy of the Dominion's budgetary position also permits a drastically stepped-up program of defense preparedness without imposing, as is the case in other countries, a severe strain on the domestic economy. No other country can now equal the Canadian ratio of production available for export in relation to the production required for domestic consumption.

Another factor that is also likely to have an important influence on the immediate course of the Canadian dollar is the strong possibility of an upward adjustment of the many undervalued currencies of the Western world. Foremost among these are the United Kingdom and Australian pounds and the French franc. Revaluation of these currencies is clearly indicated not so much in consequence of the recent striking economic improvement in the respective countries, but to a greater degree as a result of the decline from its previous lofty eminence of the exchange position of the U. S. dollar. Since the war, sterling and the French franc have been devalued in terms of the U. S. dollar to an admittedly undervalued level. Recently, moreover, the U. S. dollar itself has obviously depreciated, and thus the relative undervaluation of these drastically devalued currencies is all the more accentuated. Upward revaluation, especially in the case of sterling, cannot fail to have a sympathetic influence on the Canadian dollar. In this event there is little doubt that the way would be prepared for the final phase of Canadian currency adjustment—the attainment of the logical level of parity with the U. S. dollar.

* * *

During this week there was little change in the external section of the bond market but the Dominion internals continued to sag as a result of continued year-end weakness of the Canadian dollar and the lower level of the bond market in Canada. The corporate-arbitrage rate on the other hand was firmer at 7½%/6½%. Stocks following initial weakness finally rallied. C. P. R. common was again an outstanding performer and it would appear that the fundamental strength of this exceptional stock is at last receiving general recognition. The strong advance in the later sessions was sparked by the base-metals, but the industrials, led by the paper issues, were also well to the fore. Western oils and the golds on the other hand were less prominent in the upward movement.

Canada's Expanding Economy Faces War Conditions

By STANLEY M. WEDD*
President, The Canadian Bank of Commerce

Stressing Canada's rapidly expanding economy, accompanied by intensified rate of capital investment which shows no sign of slackening, leading Canadian banker advocates immediate inplementation of a well-integrated immigration policy as means of enlarging nation's labor force. Commends decision to permit Canadian dollar to find own price level and concludes, despite uncertainties arising out of international situation, Canada's record shows ability and courage to meet them.

The course of events that we have witnessed in recent months will mark as historically significant the year now drawing to a close. Yet the favorable developments that have taken place in Canada since we last met are overshadowed by the extremely disturbing possibilities of the hostilities in the Far East. Two distinct trends have emerged within the past year — the hesitation in business activity which was beginning to appear during the first half of the year and which was arrested by the outbreak and impact of war in Korea; and the upturn which followed. The latter phase directs our attention to the significant fact that an expanding economy such as ours responds quickly to outside influences.

Stanley M. Wedd

At the present time we are by no means on a war basis, yet we are not all employed in peaceful pursuits. The degree to which we may alter this existing division in the economy depends upon forces beyond our control.

General Economic Patterns

Speaking on affairs generally I would first note the latest official estimate of the value of our production for 1950, which is seventeen and a half billion dollars. This is an increase of about fourteen hundred million over last year and is, in relation to the 1944 figure—approximately twelve billion dollars—indicative of the expansion that has been taking place over recent years. Although this increase is measured in fluctuating dollar values it does represent a higher rate of increase than at any other period in our history.

Over the post-war years there has been an intensive capital investment in the industries of Canada. Between 1945 and the close of this year an estimated twelve billion dollars will have been invested. This is in addition to the heavy wartime expansion which was necessary to meet the demands of war. This rate of investment shows little sign of slackening.

The labor force at the present time is at peak levels. In fact in some areas there is developing a shortage of employable persons, and this at a time when we are embarking on an armament program of some magnitude and are already engaged in important development of our natural resources. It would seem, therefore, to be a matter of real urgency that the labor force be expanded, and since this can be done to only a very limited extent from the manpower resources now available, the immediate implementation of a well-integrated immigration policy would seem to be the proper solution.

Goverment revenues continue at a high level in spite of successive reductions in most categories of taxes and this is a reflection of prevailing conditions and the high national income. Wage and salary increases have maintained personal income tax revenues although exemptions have been raised and the graduated scale of rates has been lowered. This buoyancy in the revenues has enabled the government in the past few years to reduce by some one and one-half billions of dollars the heavy debt incurred during the war, and provided this year a cushion for defense expenditures.

Agriculture

Over all, this year has been a good one for agriculture. Current reports indicate that the Western wheat crop will be almost one hundred million bushels larger than a year ago although an unusually large percentage of it will be of low grade. Yields of feed grains are also above those of last year. In the Eastern Provinces and in British Columbia good harvests were general in almost all lines of farming endeavor.

In so far as next year is concerned, there are uncertainties regarding the price of grains but on the whole the outlook is satisfactory.

During the first half of 1950 cash receipts from the sale of farm products were down almost two hundred million dollars from the same period in 1949, due almost entirely to the absence of wheat participation payments in Western Canada this year. While receipts from the sale of livestock are somewhat higher this year, revenue from dairy products, poultry and eggs is down noticeably. In this connection it is interesting to note that the official index number of farm prices of agricultural products for August, while about two and one-half times the average of 1935/39, was ten points lower than for July and over one point lower than for August, 1949. This drop is largely due to the decrease in the initial price of western wheat at Aug. 1 from $1.75 to $1.40 per bushel basis No. 1 Northern in store at Fort William-Port Arthur.

While speaking of wheat, I should record that during the first year of the International Wheat Agreement Canada's sales were about 183 million bushels, or over 89% of the quantity we undertook to sell under the Agreement. In Geneva last October the International Wheat Council increased the quantity to be delivered by Canada to 219 million bushels for the 1950-51 crop year, 226 million for 1951-52 and 229 million for 1952-53, the last year of the Agreement. The United Kingdom-Canadian Wheat Agreement was not renewed this year but Britain is expected to make substantial purchases from this country under the International Wheat Agreement. The maximum price this year is $1.80 and the minimum $1.40 U. S. currency for No. 1 Northern at Fort William.

Mining

Turning now to mining, attention continues to be focused on oil and iron, each of which is expected to play a prominent role in maintaining our present high level of business activity.

With the Leduc and Redwater discoveries, proven oil reserves are now well above the billion barrel mark and capital at the rate of three million dollars a week is being invested in development and exploration. In addition, other expenditures for refineries and pipe-lines to be completed within the next year total more than one hundred and twenty-five million dollars. In all, these investments in the oil industry account for roughly 10% of Canada's non-governmental capital investment program for 1950. The 1,150-mile trunk pipeline to Superior, Wisconsin, is completed and already oil has begun to move via this pipeline to refineries at Regina and Gretna.

The discovery to date of the four hundred million tons proven reserves of iron ore in Eastern Canada will place Canada among the world's top ranking iron ore producers. The development of the area due to its inaccessibility will take some time and will be costly. However, the contract for the railway into the area recently has been allotted and construction is to begin before the turn of the year. It is estimated that capital expenditures for this railway, for the construction of a hydro-electric power plant, harbor facilities and rolling stock may be in the neighborhood of two hundred million dollars and we gather that to justify an outlay of this magnitude at least ten million tons annually will have to be taken out.

Manufacturing

Several of the most important branches of the Canadian manufacturing industry have created new production records within the past year and the industry as a whole is currently operating at the highest level of the year to date and over 5% above that in October, 1949. The automotive trades continue to set the pace, with cumulative shipments of Canadian-made vehicles to the end of September 36% above last year's and the highest ever recorded. The primary iron and steel industry has also shown increases during the year though the increase in production over last year's record output is moderate. The newsprint industry has been operating in excess of rated capacity since April last and production to date is slightly ahead of that in 1949. The very active demand for sawn lumber both for domestic consumption and export has been met by increasing production, the total to date exceeding last year's and approximating the record levels of 1947-48. Despite sharp competition from abroad, operations of the cotton textile industry as measured by bales of cotton opened appear to compare favorably with last year but other textile production has fallen below previous levels. Both the clothing and shoe trades have experienced some decline in demand and most clothing and shoe factories have been operating consistently at levels moderately below those of last year. The meat packing industry has had a slightly higher output than last year, a heavier volume of pork products offsetting some decline in other lines. Consumption of electrical energy is a good gauge of industrial activity and the increase of 7% during the elapsed part of the present year reflects fairly well the general position. The completion of new central electric installations within the past 12 months has made this increase

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*An address by Mr. Wedd at the Annual Meeting of the Canadian Bank of Commerce, Toronto, Ont., Canada, Dec. 12, 1950.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Insurance Stocks

Tax considerations are important influences in the securities markets at this time of year. Trading is usually active with cross-currents evident in different issues.

During November and December the year is close enough to the end that investors can estimate what their tax liability is for the period and in so far as it is possible try to minimize its impact.

This is possibly true to a greater extent in those individual accounts which are fairly active. However, even in institutional accounts it is advantageous to reduce the tax liability through such methods as offsetting gains against losses.

It is not always a case of taking losses which is important in working out a tax program. Frequently it may be to the advantage of an investor to accept gains as a means of lowering the tax liability at some future date. For example, it seems very likely that personal income tax rates as well as corporate rates will be higher next year. Thus if one is planning to sell securities within the next few months on which there are sizable gains it may be advantageous to do so now and pay taxes at the present rates rather than next year when the liability might be higher.

There is also the point that it may be to the advantage of the investor to sell securities currently and take profits. Such securities can be repurchased immediately and a higher tax cost established against which future gains or losses can be made. While it is true that taxes are, by using this practice, increased currently, a longer term point of view can be taken under which overall taxes might be reduced.

For those who find it advantageous to make adjustments in their portfolios at this time of year for tax reasons as well as those who are looking for replacements for previous sales or investment of new funds attention is called to insurance stocks.

The securities in the insurance field are generally high quality investments. They have long records of successful operations and have paid dividends continuously for many years. Although the industry may not participate directly in the defense program, insurance will continue to be a vital part of our business and economic life. The long-term trends toward greater use of insurance and wider coverage should also continue and help to provide a measure of growth.

In spite of the substantial rise in the market price of the general group during the past two years most of the stocks are still conservatively priced on a statistical basis. The substantial underwriting profits of the last two years, retained earnings and appreciation of security holdings are some of the factors that have tended to increase the assets of the different institutions. Earnings from investments have made favorable gains as a result of a larger volume of funds invested and from higher dividends on equities.

There is also the fact that the improved capital positions have made it possible for some institutions to increase their earnings by a more aggressive investment policy. For example, the use of funds to buy common stocks rather than short-term Government securities has been made in a number of cases.

This policy has two principal advantages for insurance companies. First of all, the yields on high quality equities have been around 6% and 7% as compared with 1⅛% to 2½% available on Governments. Secondly, 85% of the dividends received is exempt from Federal income taxes as compared with the fully taxable status of practically all government securities.

There is also the fact that within the last year many insurance companies have increased their dividends so that the yields available are relatively attractive. Most of the institutions should be able to maintain present rates under any foreseeable conditions.

Within the group there is a wide range of choice among the different companies. Hartford Fire is one of the biggest companies in the group and is regarded as among the most conservative. It has a long record of profitable underwriting. Investment policy in the past few years has been reflected in a very large government bond portfolio with only a minor position in equities.

Where there is a desire to obtain a security with a large position in common stocks, there are a number of such companies. Fidelity-Phenix has for some time emphasized this type of investment and now has close to 50% of its available investment funds in common stocks. Of course the income derived from this source constitutes an even greater percentage of total income.

Another example of difference in investment policies is provided by Springfield Fire & Marine. This company has the major portion of its investment funds concentrated in tax exempt bonds. Under present conditions, they would seem to be in a particularly favorable position so far as taxes are concerned.

Other companies in the group have similar features and in some cases provide greater yields. In many cases these securities will meet the particular needs of a wide group of investors and should be considered during the current period of portfolio adjustments.

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Canada's Expanding Economy Faces War Conditions

possible but demand for power continues to keep pace with and, indeed, exceed that available.

International Trade

This year we have witnessed a decided change in trade activities. Our surplus in merchandise trade of two hundred and twelve million dollars a year in the period 1935-39 and of even larger amounts in the postwar years has been replaced by a deficit of fifteen million dollars at present annual rates. Since the round of devaluations a year ago last September, which had the effect of increasing the price of Canadian goods in countries which devalued more than 10%, Canada's trade surplus with the United Kingdom has declined. At the same time, a rising level of income in the United States, coupled with the attractions of somewhat lower Canadian prices, has served to increase our exports to that country.

The ability of Canada to cushion the effect of a decrease in exports to the sterling countries by an increase in exports to the United States is another evidence of the adaptability of the Canadian economy. At this time our newly-developed trading pattern is operating under the forces of the free dollar market and it is hoped that the unbalanced position which has existed in world trade under conditions of rigid control will steadily decrease.

We have watched with interest the trade conferences at Geneva, at Havana, at Annecy and now at Torquay. The present conference includes six additional countries beyond those which participated in previous discussions. The fact that Western Germany is one of these newcomers may increase the range and significance of whatever concessions result. The negotiations which have taken place in the series of conferences represent a consistent and concerted effort by the trading nations to unshackle world commerce.

The Free Dollar

The development of a new trade pattern has caused attention to be directed to both the short and the long run possibilities in the Canadian economy. Total investment by nonresidents in Canada at the end of 1949 amounted to nearly eight billion dollars, of which the greater part, some five billion nine hundred million, was held by Americans. Since then the continued attractiveness of Canadian investments has brought in additional investment funds from the United States. This inflow, which was particularly heavy in the three months after June last, indicated for the most part a growing realization by Americans of Canadian investment opportunities. Yet this inflow stimulated inflationary pressures in Canada and some method was necessary whereby inflationary pressure engendered by speculation about the value of the Canadian dollar could be relieved, while, at the same time, the beneficial flow of capital for investment and development could be maintained. From the choices available to cope with the situation, the decision to permit the Canadian dollar to find its own price in terms of other currencies was one with many implications and much to commend it.

Preparedness Programs

For the first time in our history, this year witnessed the meeting of Parliament for the purpose of considering an extensive military program unaccompanied by a declaration of war. The supplementary budget which evolved from that meeting was significant in that it brought more clearly into focus our responsibilities as a member of the United Nations. It also emphasized our role as a signatory to the North Atlantic Defense Pact.

In the light of existing conditions, the fiscal provisions of this supplementary budget might best be described as precautionary, and the extent to which they may have to be expanded will be determined by the outcome of the critical situation in which the world now finds itself. For the present, our cash commitments for defense under the latest budget, both for ourselves and on behalf of our partners of the North Atlantic Defense Pact, amount to eight hundred and fifty-six million dollars which, together with defense expenditures authorized in the main estimates earlier in the year, bring the total commitment for defense to approximately one billion four hundred and twenty million dollars, or about 8% of the estimated Gross National Product. High levels of national income during the first nine months of the year had resulted in a sizable budgetary surplus on the then existing bases of taxation, but in order to cover the foreseeable cash disbursements for defense during the remander for the year, the Minister of Finance found it necessary to impose additional taxation upon corporations and upon certain classes of goods used by the public.

Also to be considered in the light of the provisions of the budget are the two important control measures passed in the special session. The Essential Materials Act provides the government with the power to control the prices, mark-up, production and distribution of essential materials, and the Consumer Credit Act permits control of the terms upon which consumer goods are purchased on credit. These Acts have two aspects: on the one hand they may be used to divert goods to the defense program and on the other hand they may be used to combat inflationary tendencies as they appear.

Canada—United States Military Integration

It is not unlikely that history will record the Washington Agreement which was signed in October of this year as an outstanding occurrence. The signing of the Agreement by Canadian and American representatives in Washington does more than reiterate the principles contained in the Hyde Park Declaration of 1941. The new Agreement reaffirms the principle of co-ordination in defense purchasing and allocation of materials between the two countries. It also indicates that, in so far as defense expenditures are concerned, problems of foreign exchange and restriction of purchasing ability which hindered co-ordination in the postwar period well may be avoided.

The Outlook

We enter into a preparedness program under conditions far different from those of the early days of World War II. We know that manpower and resources are being fully utilized and consequently the diversion of men and material for military production is bound to cause strains. The expansion of our economy during the past year makes it possible to meet the requirements immediately in sight without distorting the pattern of civilian production; should we find it necessary to expand military commitments beyond those recently established, then inflationary stresses will become still more insistent.

Events of recent weeks have served to emphasize the uncertainties that lie ahead. Undoubtedly three major tasks face us: to ensure a continuation of economic stability under conditions of military preparedness; full co-operation and assistance towards the mitigation of the basic causes of unrest and war; and also the expansion of trade which is basic to the maintenance of our well-being. These are challenging objectives, yet the record shows ability and courage in facing other equally difficult problems that have arisen in the course of our history.

Honor Carl Marks on Firm's 25th Year

A testimonial dinner was given to Carl Marks by his entire office staff and their immediate families at the Waldorf Astoria Hotel to celebrate the 25th anniversary of Carl Marks & Co., Inc., 50 Broad Street, New York City.

Carl Marks

The firm, founded in 1925, at first confined its dealings to depreciated German, Austrian and other Central European securities and currencies, which at that time were active and fluctuating widely. In the early 1930s activities were broadened to cover the Central and South American countries. The company continued to expand and prosper until departments covering the entire field of foreign securities were added, and correspondents established in every important city in the world where securities transactions are possible.

Although the firm's services are available to financial institutions only, the general public may avail themselves of this information through the medium of their own bank or brokers. These services cover information on foreign exchange regulations, quotations, international trade and associated subjects such as foreign taxes, etc.

The firm has acted (directly or indirectly) in almost every case where there has been repatriation of foreign government, state or municipal securities, and in numerous cases where corporations have repurchased their own securities in the open market.

In commenting on the firm's success Mr. Marks stated that he attributed it simply to the firm's high ideals, equitable policy and fair treatment of employees. From an insignificant start the firm's capital and surplus has grown to more than $4,000,000. Sales of securities are running at the rate of $60,000,000 per annum.

American Secs. Branch Opened in Boston

American Securities Corporation announces the opening of an office in Boston, at 111 Devonshire Street, under the management of Ernest W. Slifer. The investment banking firm maintains other offices in New York City and Chicago.

Mr. Slifer previously had been associated with the Boston offices of Hemphill, Noyes, Graham, Parsons & Co. and one of its predecessors, Graham, Parsons & Co. He is a graduate of Yale University and Yale Law School.

Canada and the War Crisis

By ROBERT RAE*
President, Dominion Bank, Canada

Pointing out though Canada is prosperous and exchange rate of Canadian dollar is relatively stable, President Rae, of Dominion Bank, warns Canada must face fight against inflationary impact of Communist aggression. Urges pay-as-you-go policy of financing rearmament and decries policy of sustaining market for government bonds by expanding credit. Says Canada's minimum outlay for defense next year will absorb one-fifteenth of national income.

Canadians will recall, as the most striking event of 1950, the jointly-prompted Russian and Chinese aggression against Korea on June 25 last, which may possibly make that date a no less important landmark in history than Aug. 4, 1914, and Sept. 3, 1939, have proved themselves to be.

Robert Rae

Outstanding among domestic events in Canada, was the bold step taken on Oct. 2, when it was announced that our dollar would no longer be "pegged" on the foreign exchange market, but instead would be permitted, in free dealings, to discover its own true value.

With reference to the first of these developments, Canada's minimum outlay for defense may next year absorb more than one-fifteenth of the National income; and we can set no limit on the still greater burden which our defense needs may compel us to bear in later years.

In regard to the currency decision, this was a good move. Canadians may justifiably be pleased that when our dollar was freed, instead of declining, it increased in value, relative to the currencies of other countries, and is now moving within quite narrow limits.

Business has been active. Prices of the principal raw materials have been rising on world markets—in many cases, very fast. Thus the dollar shortage, worldwide for years, has been eased in many quarters. Unfortunately, the cost of living in Canada tends also to rise under such conditions.

In addition, the vast program of rearmament, which Communist aggression has forced on the still free countries, menaces all of us with further inflation during the next five or 10 years, perhaps to a greater degree than that which occurred during and after World War II. It is vital that all of us, government and citizens alike, should mobilize against this.

Our government conceivably might follow the line of least resistance — might borrow most of the money needed for rearmament. But it has wisely declared against this policy. I hope, therefore, we need no longer make a fetish of keeping down artificially the rate of bond interest as we might be tempted to do if our government did intend to borrow from the public on a substantial scale. Ultra-cheap money never did anyone any good.

During the past five years there has been an almost continuous increase in the number of Canadian dollars — currency and bank deposits taken together—per head of the Canadian people. I cannot but feel that this was partly due to the practice of creating new credit from time to time, in order to sustain the market for government bonds whenever the public showed signs of a tendency to sell them, in any but relatively small amounts.

Whatever might be said on other grounds for the practice of sustaining the market for government bonds in this manner, there can be no doubt that its long run consequences are inflationary. We should, therefore, welcome its discontinuance.

Must Not "Let Our Team Down"

What of our own conduct, as citizens?

Each of us might press for increased salaries and wages; might insist on spending for luxury needs, as though peace were assured.

But for us to do these things would be for us to cause and to bring on ourselves, this impending second round of inflation. Acting thus, we would simply be "letting our own team down." My belief is that we will act otherwise.

Some Canadians fearing inflation, call for government controls. But World War II taught us quite a lot about controls. We know that while making an all-out war effort, or defense effort, by means of the direct control of wages and prices we can postpone inflation for awhile. But we know too that, ultimately, we cannot prevent inflation by means of these controls.

In order effectively to prevent inflation we must use other means, which require of us the same self-discipline and respect for the needs of others, as is asked of troops in war.

We live in a grim world. Even in Canada's vigorous economy there are limits, at any given moment, to the capacity for increasing production.

So, for the sake of Canada's rearmament and defense, we must be ready soon to give up, if need be, certain luxuries or comforts. To produce enough rockets and armour, carriers and planes, we must put up for awhile with less than we would like of the good things used in peace.

Work Hard: Make Our Country Safe

We shall make our country safe; we shall experience a minimum of shortages, if each of us during this period of crisis, whatever the task in front of him, works harder and more efficiently than before.

Canadians, fortunately, do not lack confidence in themselves. But in a vast half continent, we still are all too few for the needs of Canada. Quite apart from defense requirements, there is urgent present need, as well, to create and use new sources of energy for ordinary peace-time purposes from coal, petroleum, rivers or any source whatever.

We are in the process of doing that now in the Western oil fields, at Steep Rock Lake and in Labrador. But we still possess only four-fifths as much mechanical power in all its forms, per head of population, as is possessed by our neighbors in the United States. Until we can match, on this basis of comparison, their equipment of energy, the Canadian dream of raising our standards of living and of comfort, to the level of theirs, will not be realized.

Canada Needs More People

Resources are ours, in the greatest possible abundance. In this dangerous world, there is now no land where life can be lived more securely than here. But in spite of the recent speed-up in our own rate of population growth, in order to realize our dreams for this Dominion — to create this equipment, and by means of it, achieve these living standards—we need more and more people.

In other lands there are millions of good and energetic folk, disillusioned by the recent course of events in their own countries, eager to start life again elsewhere, enthusiastic at the mere thought that they might be permitted entry to this Dominion; the thought that they might in course of time —and upon proof of merit—become citizens of Canada.

These are potential immigrants. We need the best of them—and in substantial numbers.

Let me recall briefly what once happened here.

During the 10 years of Canada's most rapid population growth between census counts (in the decade from 1901 to 1911) the net rate of increase in the number of persons born abroad, but successfully settled in this Dominion, was about ninety thousand per annum; or in very general terms, one-seventieth of our total population (immigrant and native-born combined) during each of those 10 years.

Canada's present population is estimated at fourteen millions. Thus, we would now be receiving immigrants on about the same scale as we did during the decade ending 1911, if we were increasing our settled immigrant population now by the net total of two hundred thousand persons per annum.

But in order to secure such a net increase per annum in our immigrant population (after allowance for the deaths of immigrants admitted in earlier years, and for the subsequent departure from our shores of some dissatisfied newcomers) we should in all probability need now to receive into this country something like two hundred and fifty thousand persons from abroad per annum.

Canada and Australia Compared

What numbers have we been receiving, of late years?

In 1948, one hundred and twenty-five thousand immigrants entered Canada from abroad;

In 1949, the corresponding number was ninety-five thousand;

During 12 months, up to July, 1950, the number was seventy-five thousand.

Our annual average during these years was thus less than one hundred thousand — and at present, the stream is diminishing.

There is a sharp contrast between our Canadian experience of immigration, and Australia's during the same years.

In 1948, Australia received slightly fewer than forty-nine thousand immigrants. But in 1949, she received one hundred and forty-nine thousand.

It is estimated that by the close of this year she will have received, within a 12-month, no less than two hundred thousand immigrants.

There is no doubt in my mind that Australia's eagerness to receive immigrants, and success in attracting them, will in the long run greatly benefit our sister Nation.

Our own country's population is nearly twice that of Australia. Proportionately therefore, our own own intake of newcomers from abroad still is quite small.

Two principal objections have been raised in Canada against the proposal that we should follow the same bold course as Australia. These are,

first—the coming of large numbers of immigrants into Canada might deprive Canadians of jobs;

second—it would intensify the present shortage of housing.

Perhaps five years ago these might have been good grounds for caution. Not so today, when our most urgent problems are due to the shortage of manpower.

Will Make More Jobs for Canadians

From the standpoint of the Canadian people—all the fourteen millions of us — there are not enough of us to do the work that needs to be done, for the common benefit of all Canadians and for their safeguarding.

One of our problems is, of course, that there are not enough hands here to lay bricks of badly needed buildings. But let us be frank with ourselves: we lack sufficient skills of all kinds. There will be more jobs for Canadians everywhere when, in the key spots of industry, the key skills are made more plentiful. In other words, the coming of the right immigrants will multiply, not narrow, the range of jobs in this country.

If, during this crisis in the life of mankind, we can manage to bring over new Canadians on twice or three times the scale indicated by recent experience, we certainly shall be serving two constructive purposes:

In the first place, we shall be strengthening ourselves to do tomorrow's tasks;

In the second place—and I say this with full seriousness — by sharing our abundance with others, formerly less fortunate than ourselves, we shall be practicing the Golden Rule.

*An address by Mr. Rae at Shareholders' Annual Meeting of The Dominion Bank, Toronto, Canada, Dec. 13, 1950.

Urges Higher Interest Rates as Inflation Curb

Paul W. McCracken, Professor of Business Conditions at the University of Michigan, says high taxes alone cannot do job.

In an address before the 12th Annual Michigan Bank Study Conference, at Ann Arbor, Mich. on Dec. 7, Paul McCracken, Professor of Business Conditions at the University of Michigan strongly urged abandonment of the Treasury's low interest rate policy so as to curb civilian spending.

Paul W. McCracken

"A basic fact of life with which we must deal," Prof. McCracken asserted, "is that the combination of civilian and military demands will soon add up to more than our capacity to produce. Since the provision for national security must come first, it follows that the supply of civilian goods must take the squeeze. Unless appropriate measures are taken to curb civilian spending, we will find ourselves in a situation where people and businesses are trying to spend more than the supply of goods and services available. This adds up to the old familiar problem of inflation.

"How can we curb civilian spending? We have all heard a great deal about gritting our teeth and taking on a heavy burden of taxation. While I have reservations about some of the particular taxes which we will levy, in the aggregate we seem to be willing to take a very realistic view on paying as we go.

"But taxes are not a complete answer. For one thing, taxation tends to sap the vitality of the American economy and on that vitality our international position largely depends. Moreover, taxes exercises restraint largely by reducing the supply of income dollars available for spending. But spending can be financed by other than income dollars. Funds can be borrowed. Bank loans, for example, have increased over $6 billion already this year. War bonds can be cashed. Bank deposits can be drawn down. All of these have been happening on a substantial scale this year and constitute the major reasons why, even though the budget has been practically balanced, we have still had substantial inflation."

In order to deal with this question Prof. McCracken laid down a program consisting of three points:

"(1) We must make borrowing costlier and more difficult. This means that as potential borrowers in what should become a progressively tighter credit market offer higher interest rates, yields on government securities must be increased. This will help to dissuade banks from dumping government securities into the market which must be purchased by the Federal Reserve, and using the proceeds to make additional private loans, which creates new purchasing power, which provides an additional basis for spending, which would complicate the problem of inflation.

"(2) We can thereby make government securities more worth holding for individuals as well as banks. In this way we can help to accord greater advantage to the individual who holds his bonds rather than converting them into cash to augment his spending. While such devices as making savings bonds eligible for collateral are worth considering, we must not overlook the possible desirability of according to the 'non-spender' a higher rate of return for holding his securities.

"(3) We must rehabilitate the status of saving. Perhaps as the defense program begins to pinch hard, we ought to inaugurate a national savings campaign. This should be much broader than inducing people to buy savings bonds. The important thing is that they not spend the money. Whether the savings take the form of savings bond purchases, additions to savings deposits or deposits in savings and loan associations is of less importance, but again one way of according more status to the saver is to pay him a higher rate for not exercising that privilege which is his—namely to spend his dollars.

"The conflict between the Treasury and the Federal Reserve is not primarily a conflict between men who happen to disagree," Prof. McCracken concluded. "It reflects a basic confusion in the thinking of the American people which makes it difficult for a consistent economic policy to emerge. We want to pay low prices but we do not want our right to borrow or spend in any way curbed, which makes for higher prices. Bankers particularly can perform a real service by keeping the public informed on what must be done if the objectives of reasonable price stability and restraint of inflation are to be achieved."

Dempsey-Tegeler & Co. To Admit Two Partners

ST. LOUIS, Mo.—Dempsey-Tegeler & Co., 407 North Eighth Street, members of the New York and Midwest Stock Exchanges, will admit Albert E. Gummersbach and Lewis J. Whitney, Jr. to partnership on Jan. 1. Both have been with the firm for many years, Mr. Gummersbach in St. Louis, and Mr. Whitney in the Los Angeles office, 210 West Seventh Street.

E. F. Swenson, Pres. of N. Y. Inv. Ass'n

Edward F. Swenson, Jr. of Clark, Dodge & Co. was elected President of The Investment Association of New York at the annual meeting of the association. Mr. Swenson, who has been a member of the Executive Board of the organization and head of its speakers group during the past year, succeeds Blancke Noyes of Hemphill, Noyes, Graham, Parsons & Co. He is a graduate of Yale University and served as a captain in the U. S. Army during the recent war.


E. F. Swenson, Jr.

Dean Witter, Jr. of Dean Witter & Co., Treasurer for the past year, was elected Vice-President, while Richard G. Murphy of B. J. Van Ingen & Co. was elected Treasurer. Harry A. Jacobs, Jr. of Bache & Co. was named Secretary of the association.

Elected to the Executive Board to head various association activities for the ensuing year were Ralph Hornblower, Jr. of Hornblower & Weeks, program; Edward D. Toland, Jr. of Shields & Co., education; T. Alexander Benn of Merrill Lynch, Pierce, Fenner & Beane, publications and publicity; John C. Hagen of White, Weld & Co., entertainment; and Renwick E. Case of Discount Corporation of New York, membership.

The Investment Association of New York was formed in 1947 as the Junior Investment Bankers and Brokers Association, with many of its members veterans who entered the securities business after the recent war. It is now comprised of some 200 of the younger men in upwards of 80 investment banking and brokerage houses in Wall Street.

E. H. Newbery Co.

Earl H. Newbery has formed E. H. Newbery & Co., Inc. with offices at 40 Exchange Place, New York City, to conduct an investment business. Mr. Newbery was formerly President of Chilson, Newbery & Co., Inc. of Kingston, N. Y., maintaining his headquarters in New York City.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The government market is still in the backing and filling phase following the refunding, without decisive price movements in either direction. Also not too much is expected to happen in the near future, because it is believed there will be a tendency for prices to remain rather stable despite some year-end adjustments. The bank bonds have been paced by the new 1¾s and this security appears to be becoming more popular with the out-of-town commercial banks, especially those with savings deposits. The 1956 maturities have been giving ground to the new issue, with considerable swopping going on at the expense of the higher premium issues. There has likewise been a better demand for the longer partials, despite some rather unimportant quoting down of prices from time to time.

The restricted bonds are still being sold by institutional vestors, mainly life insurance companies, and the Central Banks continue to do selective buying of these obligations. Despite the liquidation, the opinion seems to be more general that better days are ahead for these securities in the not too distant future.

Voluntary Loan Restraints

It is evident the Federal Reserve Board is going to give the voluntary method of restraining loans a full try before resorting to the clumsy and not desirable way of attempting to retard them, namely, an increase in reserve requirements. Accordingly, the banks were again urged by Chairman McCabe of the Federal Reserve System to develop ways and means to discourage further inflationary credit extensions. The recently held meeting of the Federal Reserve Bank of New York between representatives of the American Bankers Association, Life Insurance Association and the Investment Bankers Association and the monetary authorities indicates the determination of all groups to cut down inflationary lendings whenever and wherever possible. However, will this bring about any important restraint in the loan trend? The initiative for making loans does not rest with the lending agencies, since they are only the channels or the instruments through which the borrowings are expressed. As long as prices are increasing and costs are mounting, more money will be needed to carry on business. This in many instances results in a far greater demand for loanable funds, which is necessary to keep production going whether it be for civilian or defense purposes.

While it is true all loans are inflationary in the initial stages, those loans that ultimately increase the productive or distributive capacity are anti-inflationary in the long run. It may be that loans for non-productive purposes will be sharply decreased or entirely eliminated by the various private lending institutions, as a result of the meeting just held between them and the powers that be. This would be an important contribution in the fight against inflation.

New 1¾s in Demand

The 1¾s appear to be moving into stronger hands every day despite the fact that the floating supply is still a bit on the high side. It is evident that out-of-town banks are becoming more interested in this issue, and with the opinion that loans of certain of these institutions will not be as great in 1951, there has been more than a little investment buying in the recently offered 1955's. Switching has also been playing a growing role in the digestion of the 1¾s and some of the larger deposit banks have been using this method to build up holdings in the new note. The fact that Federal acquired $2,700,000,000 or slightly more of the 1¾s is being looked upon as a stabilizer as far as market action is concerned. It is believed the holdings of the Central Banks will tend to keep these notes from getting out of line on the up side while on the other hand there is still room for further purchases by Federal if weakness should develop.

The government market is beginning to see quite a few year-end adjustments being made, although it is not expected too many of these will take place, despite lower prices for the list as a whole compared with the earlier part of the year. It is reported that some tax selling is being done, mainly in the intermediate-term maturities, which are being replaced by the new 1¾s. Although the longest bank bond is down sharply from the high of the year, there is evidently no great desire to let this issue out. This is because of the feeling that appears to be growing that a bottom is so close by, if it has not already been made, to make liquidation undesirable in most cases.

Partial Exempts Strong

The partially-exempt, more specifically, the longer maturities, continue to be in demand and have been making a better showing recently than corresponding maturities of the taxables. The belief that taxes will be higher in the future, has brought some of the smaller commercial banks into the partially-exempts. To be sure, there is no lagging in demand for the tax-sheltered Treasuries as far as the larger deposit institutions are concerned. The 2⅞s appear to be still having a day of it, although there is no chasing of the spotlight away from the last three issues of 2¾s.

The tap bonds continue to come into the market, and there will no doubt be more of it for a while yet. Nonetheless, it seems as though there is a better feeling in the making as far as these securities are concerned. Fire and casualty companies have been nibbling away at the longest maturities, while pension funds have also been fairly sizable buyers. It is reported that considerable swopping is going on between the various issues with the shortest maturities not as popular now as they were not so long ago.

Tellier & Co. Admits

Walter F. Tellier has admitted Martin T. Brosnan, Max Sandler and Joseph Redinger to partnership in Tellier & Co., 42 Broadway, New York City. All have been associated with the firm for some time.

McKelvy to Admit

PITTSBURGH, Pa.—Gelston B. Morris, Jr., will become a partner in McKelvy & Co., Union Trust Building, members of the New York and Pittsburgh Stock Exchanges, on Jan. 1.

Britain's Raw Materials Shortage

By PAUL EINZIG

Ascribing Britain's serious raw materials shortage to U. S. stockpiling, Dr. Einzig contends this shortage is not only impeding rearmament but is causing unemployment in Britain. Points out situation has nullified Sterling devaluation, since British export prices rose only 7% while average price of her imports rose 25%.

LONDON, Eng.—The raw material problem continues to gain in prominence among the economic topics of the day. While until a few days ago the rise in the cost of living was the center of interest, today it is almost forgotten in face of the problems raised by the raw material shortage. After all, bad as it is to have to pay high prices for essential goods, it is a great deal worse if those goods are not available. And there is more than a possibility that during 1951 shortages will develop in various essential goods, owing to lack of raw materials. Even if the industrial workers were willing to work longer hours it would not solve the problem, because the output would be limited by the supply of raw materials available. This means that an extra effort might result in unemployment through lack of materials. Such a possibility is likely to produce a bad effect on the workers, since they would be reluctant to exert themselves only to find that they have worked themselves out of employment.


Dr. Paul Einzig

The raw material shortages have not developed overnight. To those whose job it is to follow closely the developments in the commodity market it has been evident for some time that such a trend has been on its way. Yet until a few weeks ago there was hardly any reference to it in the press. Now that this omission is made good somewhat belatedly, efforts are made to ascertain whose fault it is. Rearmament can hardly be blamed, for its present extent is too moderate to make any fundamental difference. On the other hand, stockpiling is rightly regarded as the main cause. In particular, American buying of strategic raw materials for stockpiling purposes is considered to be by far the most important factor.

There has been a certain amount of criticism of the American policy of stockpiling, both on the ground that it has largely contributed towards causing an increase in the cost of living and on the ground that it has depleted the world's stocks of materials available for current requirements. Beyond doubt, American stockpiling demand has been primarily responsible for the sharp rise in raw material prices, and has absorbed stocks needed for current production. Those who are inclined to criticise that policy must bear in mind, however, that there is another side of the picture.

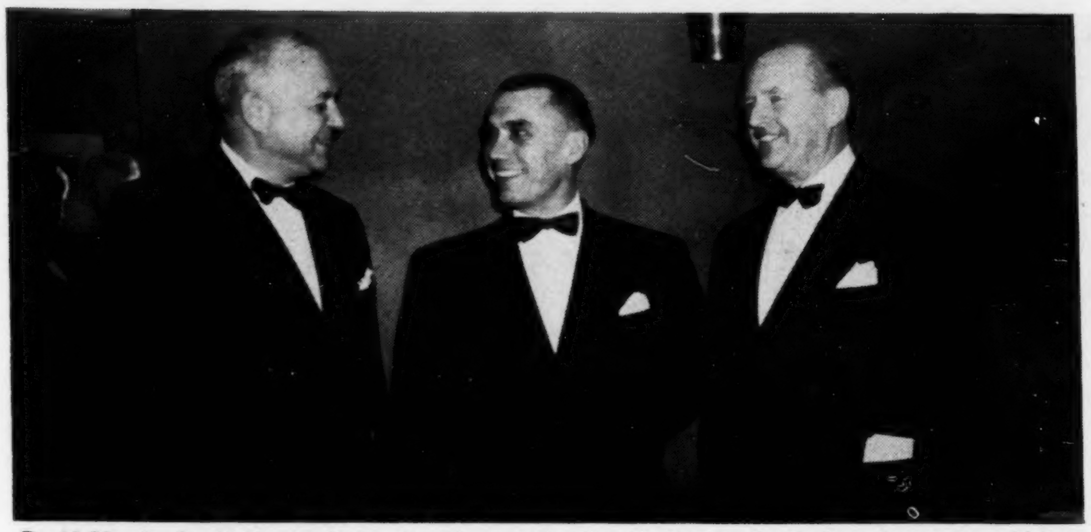
For many years the perennial favorable trade balance of the United States was the outstanding economic problem of the world. It caused a chronic shortage of dollars and depleted the gold reserves of most countries. No matter how much the United States lent abroad, no matter how much they gave away abroad, the gold spent returned to the United States again and again. Or, to be correct, it never left the American shores, for the amounts lent or given to foreign nations had to be used for the payment of the current American export surpluses. Thanks largely to stockpiling, this state of affairs came to an end a few months ago. The United States developed an adverse trade balance and there was an outflow of gold. Dollars are now no longer so scarce, and many countries have succeeded in replenishing their gold reserves. Britain in particular has benefited by the change. The British gold reserve has shown a spectacular increase during 1950. This was admittedly partly the result of the devaluation of the pound, and of the anticipation of its revaluation. But American stockpiling, through its effect on the volume and value of sterling area exports, was the main factor. Had it not been for this factor, the British export drive would not in itself have gone very far, owing to the adverse change in the terms of trade. While the average price of exports rose by 7% only, the average price of imports rose by 25%. Much of the additional British exports served to make up for the loss caused by this discrepancy.

Fortunately for Britain, sterling area exports of raw materials have increased not only in volume but also in price. It is, thanks to this dual increase, that the gold reserve showed such a satisfactory recovery. Had it not been for American stockpiling, Britain and the sterling area would still be struggling with their dollar difficulties. The improvement of the dollar position provides undoubtedly ample compensation for the increase in the cost of living that has accompanied it.

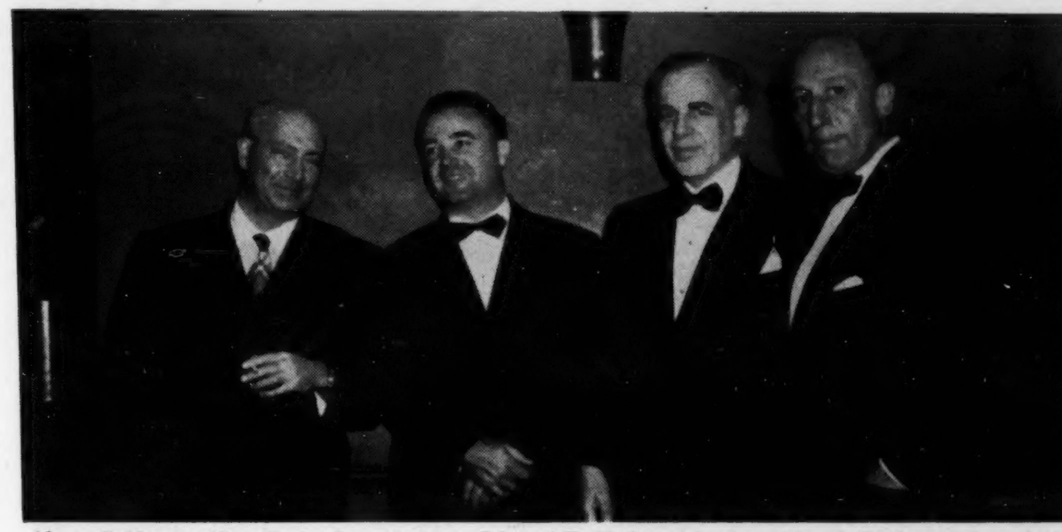
If, however, shortages of base metals and other raw materials should handicap production and cause unemployment, on balance the economic disadvantageous consequences of American stockpiling would greatly outweigh its economic advanges. For a shortage of dollars is easier to overcome than a shortage of essential goods. The missing dollars can be supplemented by a stroke of the pen, through agreements on Marshall aid or military dollar aid. It is much more difficult to supplement the missing materials.

A stage has been reached, therefore, when American stockpiling, if it were to continue on an excessive scale, would tend to defeat its object. By handicapping the rearmament effort of Britain and other countries it would reduce the combined volume of arms production of the democratic nations. It would threaten, moreover, to cancel its beneficial effect on the dollar position, for the export drive of the countries concerned whould suffer through lack of raw materials. This is now being realized somewhat belatedly, but it is better late than never.

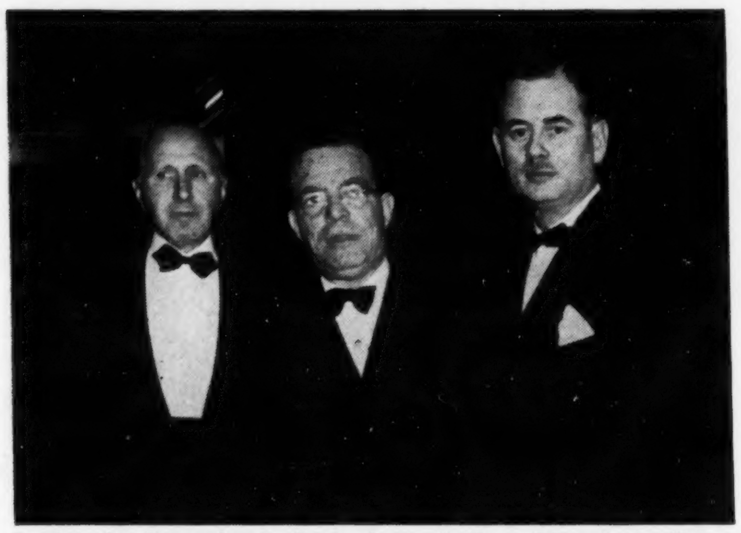
New York Security Dealers Association



David Morris, *David Morris & Co.*, President of the New York Security Dealers Association; Senator J. Allen Frear; Frank Dunne, *Dunne & Co.*, Governor of the New York Security Dealers Association



Abner Goldstone, New York; Commissioner Edward T. McCormick, *Securities & Exchange Commission;* Philip L. Carret, *Gammack & Co.;* Francis Adams Truslow, President of the New York Curb Exchange



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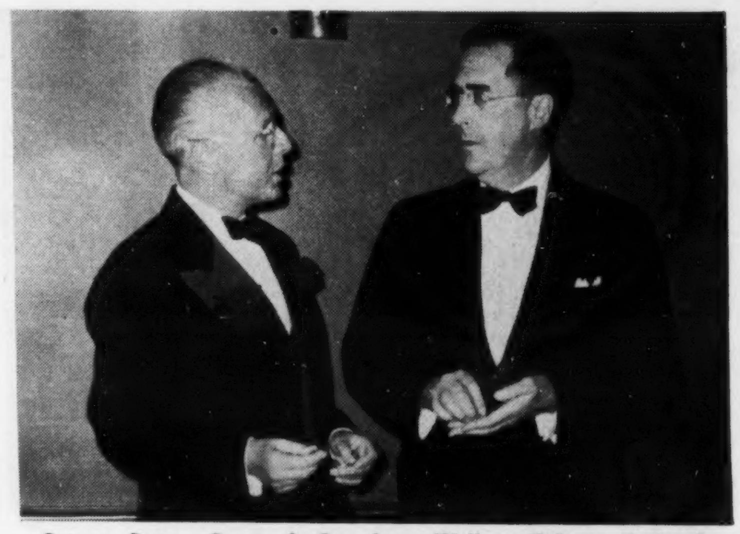

George Geyer, *Geyer & Co., Inc.:* Wallace Fulton, *National Association of Securities Dealers, Inc.*

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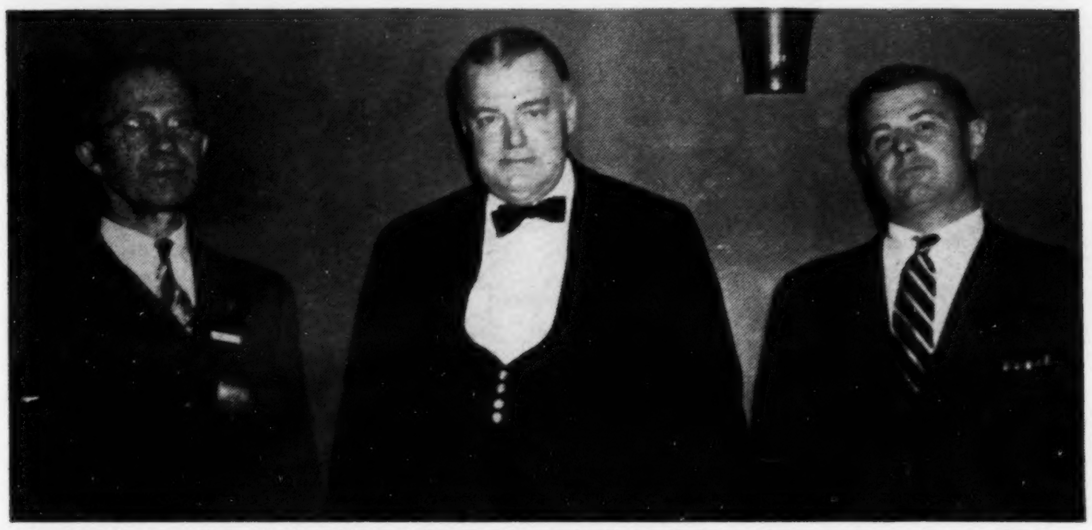
"Duke" Hunter, *Hunter & Co.;* Hal E. Murphy, *Commercial & Financial Chronicle;* Shelly Pierce, *New York Journal of Commerce*

Irving Allen Greene, *Greene and Company;* Harry R. Amott, *Amott, Baker & Co., Incorporated;* Philip C. Kullman, Jr., *John J. O'Kane, Jr. & Co.;* Ralph C. Baker, *Amott, Baker & Co., Incorporated*

Lou Walker, *National Quotation Bureau, Inc.;* John M. Mayer, *Merrill Lynch, Pierce, Fenner & Beane;* John J. O'Kane, Jr., *John J. O'Kane, Jr. & Co.;* Harry D. Miller, *Nugent & Igoe*, East Orange, N. J.

Silver Anniversary Dinner

Edgar S. Baruc, *Goldman, Sachs & Co.*; Frank L. Hall, *Sutro Bros & Co.*; Mortimer J. Gartman, *Josephthal & Co.*



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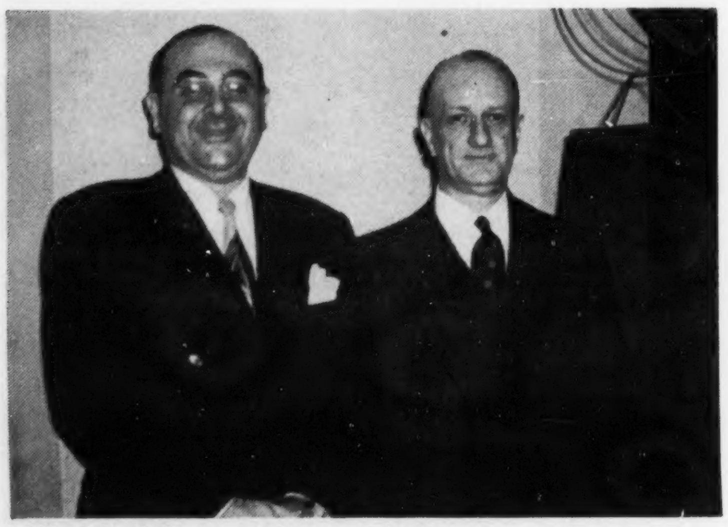

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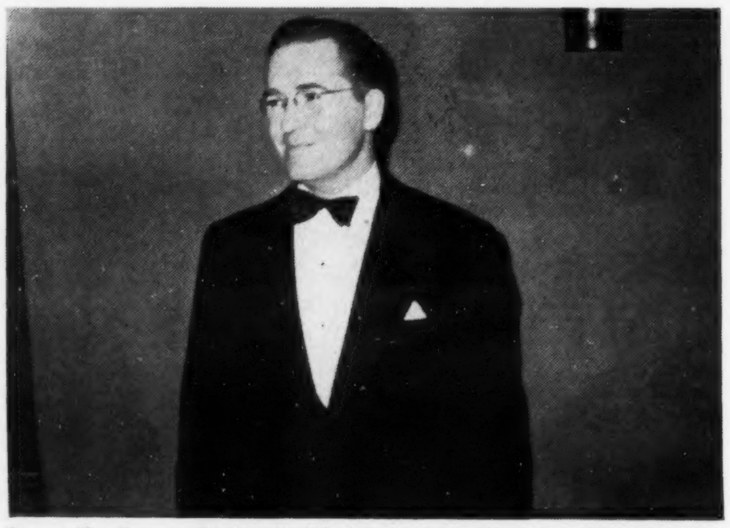

Peter T. Byrne, Regional Administrator, *Securities & Exchange Commission*, New York

C. Stanley Duggan, *Securities & Exchange Commission*, New York; Abraham M. Metz, guest

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Andrew F. Riggio, *Walston, Hoffman & Goodwin*; Dan Daly, *Walston, Hoffman & Goodwin* Joe Alberti, *Walston, Hoffman & Goodwin*; Tom Lally, *A. M. Kidder & Co.*, Bridgeport, Conn.; Elmer E. Myers, Geo. *B. Wallace & Co.*

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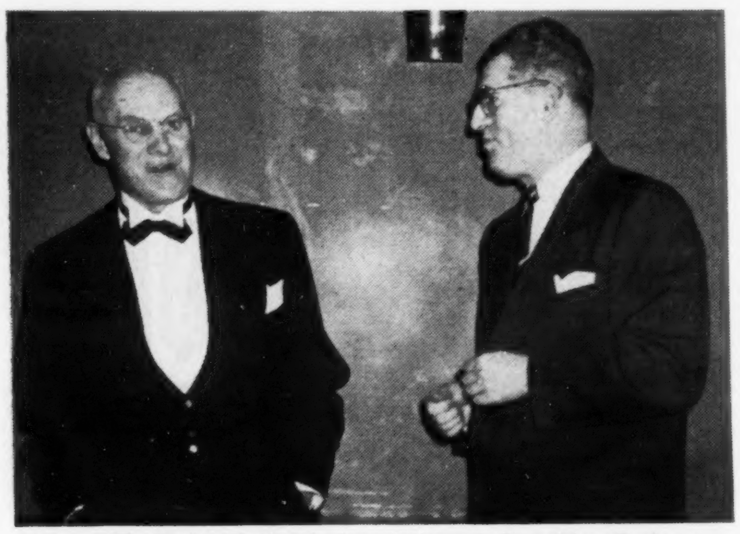
Held December 8th, 1950

J. Julian, *Hardy & Co.;* Earl H. Hooper, *Gearhart, Kinnard & Otis, Incorporated;* John Connell, *Amott, Baker & Co., Incorporated;* Harry MacCallum, Jr., *MacCallum & Co.*, Mt. Vernon, N. Y.

Walter F. Saunders, *Dominion Securities Corp.;* Harold B. Smith, *Pershing & Co.;* B. W. Pizzini, *B. W. Pizzini & Co., Inc.*



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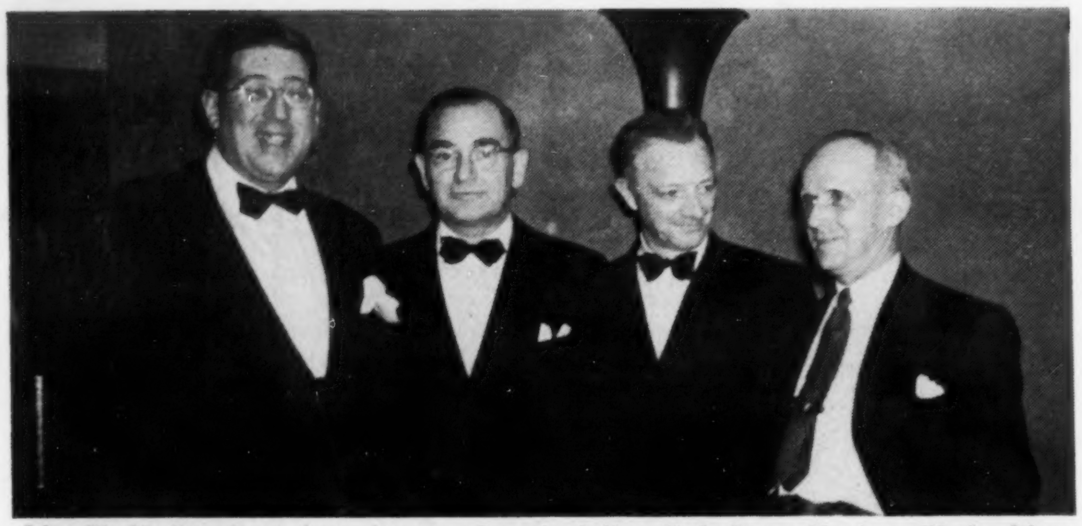
W. D. Moran, *Securities & Exchange Commission;* Charles H. Dowd, *Hodson & Company, Inc.;* Commissioner Richard B. McEntire, *Securities & Exchange Commission*, Washington, D. C.; Carl Stolle, *G. A. Saxton & Co., Inc.*

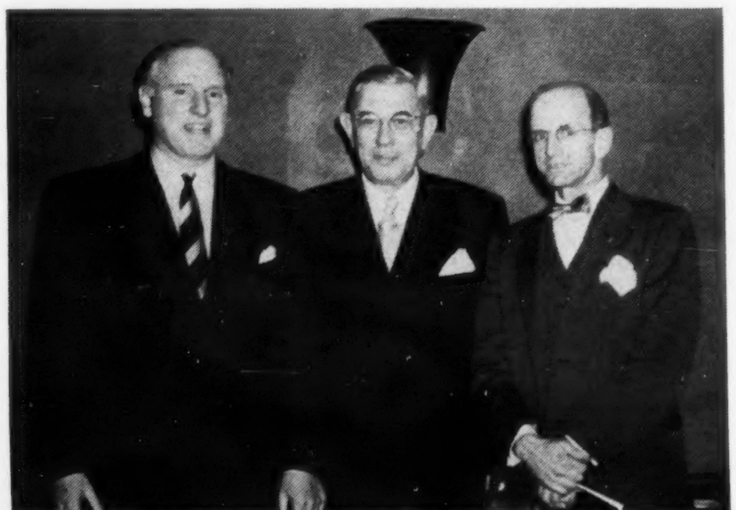
At The Waldorf-Astoria Hotel



John W. M. Rutenberg, Asst. Attorney General of New York State; Mortimer W. Landsberg, Chairman of the Board, *New York Curb Exchange;* George E. Rieber, Secretary, *National Association of Securities Dealers, Inc.;* E. W. Snyder, *E. W. Snyder and Co.,* Syracuse, N. Y.

George V. Hunt, *Starkweather & Co.;* Harold H. Van Meter, *Hiscox, Van Meter & Co., Inc.,* Philadelphia; Samuel E. Magid, *Hill, Thompson & Co., Inc.;* Arthur G. Hiscox, *Hiscox, Van Meter & Co., Inc.,* Philadelphia

Soren D. Nielsen, *New York Hanseatic Corporation;* Allen Broomhall, *New York Hanseatic Corporation;* Anthony Mercovich, *Laidlaw & Co.*



Clarence E. Unterberg, *C. E. Unterberg & Co.;* Frank J. Prince, guest; Warren S. Currier, *Perrin, West & Winslow, Inc.,* Boston, Mass.

Andy Riggio, *Walston, Hoffman & Goodwin;* John F. Reilly, *J. F. Reilly & Co., Incorporated;* Sid Jacobs, *Sidney Jacobs & Co.*

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Melville S. Wien, *M. S. Wien & Co.;* John P. Germain, *J. Arthur Warner & Co., Incorporated;* John D. Ohlandt, Jr., *J. Arthur Warner & Co., Incorporated;* Harry A. Michels, *Allen & Company*

Roy R. Larson, *H. D. Knox & Co., Inc.;* Larry Lyons, *Allen & Company;* Harry D. Casper, *John J. O'Kane, Jr. & Co.;* Arthur Vare, *Hourwich & Co.*

Fred D. Gearhart, Jr., *Gearhart, Kinnard & Otis, Incorporated,* and musicians

Public Utility Securities

By OWEN ELY

Long Island Lighting Company

Long Island Lighting Company was incorporated in 1910 as a merger of four companies serving part of Long Island, and from time to time other utilities in the area were acquired and merged until almost the entire island was served. However, several important companies became subsidiaries and their preferred stocks remained in the hands of the public. Since both parent and subsidiary companies were generally over-capitalized, particularly in relation to earnings allowed under the severe regulatory standards in New York State, large arrears of preferred dividends accumulated as a result.

After many years of trial and effort a broad merger and recapitalization plan has been evolved, and was put into effect on Oct. 24. The various preferred stock issues as well as the parent company common were converted into new common stock of the merged company. The new company has a clean balance sheet, with a plant account purged of questionable items, and with very adequate reserves. The new capital structure is about 74% debt (including some debentures and notes) and 26% common stock equity (3,150,000 shares). It is expected that in 1951 the company will issue some preferred and common stock, reducing the debt ratio to an estimated 63%. The Public Service Commission has consented to review the question of the size of the depreciation reserve (accrued under rules prescribed by former Chairman Maltbie), which the company considers excessive; should reduction be allowed, this would improve the equity ratio.

The company is readjusting its rates so that earnings will approximate 6% (or slightly more) on the rate base; electric rates were reduced about $500,000 per annum recently, and gas rates may be reduced next year by some similar amount.

The company will benefit considerably next year by the current substitution of natural gas for manufactured gas. Gas earnings have been very inadequate in the past, and erratic due to changes in fuel costs. Natural gas is now to be received from Transcontinental Gas Pipe Line Corp. on a contract basis, which should help to stabilize gas earnings. While weather conditions are still an important factor, particularly with future increases in house heating, earnings lost by the gas department in a mild winter will be partly offset by fuel savings in the electric department, which will use any surplus of natural gas as fuel under its boilers. The company hopes to save about $3.3 million before taxes next year through the use of natural gas, of which about $1 to $1.5 million might be salvaged for stockholders after allowing for rate cuts and taxes, it is estimated.

Nearly one-third of the electric generating plant is modern, having been built in the last three years, but the remaining plant is, on the average some 20 years old. However, the company is interconnected with Consolidated Edison and if necessary can draw 75,000 kw. from that company. Long Island Lighting expects to install 100,000 kw. generating capacity in the fall of 1952 and another 100,000 in 1953 (compared with present capacity of 350,000).

The company's water gas facilities (daily capacity 48,000 mcf) are rather old, but the liquefied petroleum unit (8,000 mcf) and the catalytic plants (49,000 mcf) are modern. When the full contract supply of natural gas is obtained, the water gas and liquefied petroleum plants will not be needed except for standby and peak demand purposes.

Long Island has enjoyed very rapid growth, Nassau County's population having increased 64% in the past decade and Suffolk's 38% compared with only 9% for the New York Metropolitan area and Westchester County. Population density is still low compared with Queens County, leaving room for further substantial growth. While residential growth may be slowed during the defense period by restrictions on housing, it should be resumed when these restrictions are eased.

In addition to the advantages of rapid growth, Long Island Lighting is favored by the large proportion of residential business —far higher than for any other company of comparable size in the United States. This should help to stabilize future earnings.

In the 12 months ended Oct. 31, 1950 the company earned $1.25 per share on the new basis compared with $1.13 in the previous 12 months. Net income for the month of October showed a gain of 26% over last year. It is difficult to estimate 1951 earnings because of the many factors involved—the effects of recent storm damage, the cut in electric rates and the probable 1951 cut in gas rates, increased Federal income taxes, the anticipated financing, and the savings from natural gas. However, Wall Street analysts anticipate earnings in the neighborhood of $1.40 or more in 1951, before EPT—which on the basis of the pending House bill should be small in relation to income taxes. A rise in the income tax rate to 50% (from the proposed level of 45% for 1951) might be somewhat more serious. However, it is anticipated in the Street that the company may be able to initiate regular dividends at the annual rate of $1 (the recent 25-cent dividend was a "special" payment). The new stock was recently quoted on the Stock Exchange around 12½, with a potential yield of 8% if the $1 dividend rate is established.

Louis Zwahl to Be Partner in Mabon Co.

Louis J. Zwahl, Manager of the railroad bond department, will be admitted to partnership in Mabon & Co., 115 Broadway, New York City, members of the New York Stock Exchange, on Jan. 1.

Allen Simmons Now With Janesville Bank

JANESVILLE, Wis. — Allen Simmons, Vice-President of Welsh, Davis and Company, Chicago, will become associated with the Merchants and Savings Bank of Janesville on Jan. 1.

Hayden, Stone & Co. Admit New Partners

Hayden, Stone & Co., 25 Broad Street, New York City, investment bankers and members of the New York Stock Exchange and other principal stock and commodity exchanges, have proposed the admission as general partners on Jan. 1, 1951 of Sherman M. Bijur, Albert Ehrenfreund, Julius A. Hallgarten, N. Leonard Jarvis, Wm. Minot Thomas and Kenneth Ward. The firm also proposes to admit as limited partners Leslie Harman, Dr. Livingston W. Houston, A. Brock Park and Earle H. Rodney.

Sherman M. Bijur has been associated with H. Hentz & Co. since 1923 and as a partner since 1928. Albert Ehrenfreund has been with Hayden, Stone & Co. since 1923 except for two years as a member of the New York Stock Exchange. He has in recent years been in charge of the firm's investment department.

Julius A. Hallgarten, as former manager of various European offices of H. Hentz & Co., became manager of E. F. Hutton's Foreign Department in 1938 and in 1945 became associated with Hayden, Stone & Co. in the same capacity. N. Leonard Jarvis has been associated with the firm since 1944, in recent years as head of the Research and Statistical Department. He is a former President of the Association of Customers' Brokers and of the New York Society of Security Analysts.

Wm. Minot Thomas, the Albany, N. Y. resident partner of Kalb, Voorhis & Co., will serve in a similar capacity for an office of Hayden, Stone & Co. proposed to be opened in Albany on Jan. 1, 1951. Kenneth Ward has been associated with Delafield & Delafield since 1942 and prior to that was a partner of Dieffendorf, Sanders & Ward.

Leslie Harman has been an independent member of the New York Stock Exchange for many years. Dr. Livingston W. Houston has been President of Rensselaer Polytechnic Institute of Troy, New York since 1935. He is also Chairman of the Ludlow Valve Manufacturing Co. of Troy and director of other corporations and banks in the community. He is a former Chairman of the Government Finance Committee of the National Association of Manufacturers.

A. Brock Park was associated for many years with the American International Underwriters Group in various posts in the Far East and Europe. Earle H. Rodney, a member of the New York Stock Exchange for many years, was co-founder of the firm of Fuller Rodney & Co. in 1931 which was absorbed into Merrill Lynch, Pierce, Fenner and Beane in 1941 where he became a special partner, retiring in 1942.

Robert G. Stone will continue his interest in the firm as a limited partner.

Fahnestock & Co. to Admit Three Partners

Fahnestock & Co., 65 Broadway, New York City, members of the New York Stock Exchange, on Jan. 1 will admit Charles J. Doerrler and B. Frank Davis, member of the Stock Exchange, to general partnership, and Allan J. McIntosh to limited partnership. Mr. Davis and Mr. McIntosh are partners in Davis & McIntosh which is dissolving Dec. 31.

Join Slayton & Co.

(Special to THE FINANCIAL CHRONICLE)

Quincy, Ill. — Carl H. Brown, John H. Degitz, and Fred W. Sueltman have joined the staff of Slayton & Co., Illinois National Bank Building.

NSTA Notes

BOND CLUB OF DENVER

The Annual Meeting of the Bond Club of Denver, was held at the Park Hill Country Club, on Thursday, Dec. 7. The following officers were elected for the ensuing year, to take office on Jan. 1.

George S. Writer

R. L. Robinson

Phillip J. Clark

President — George S. Writer, Peters, Writer & Christensen, Inc.

Vice-President—Raymond Robinson, Sidlo, Simons, Roberts and Co.

Secretary—Robert Kirchner, Boettcher & Company.

Treasurer—Phillip J. Clark, Amos C. Sudler & Co.

The Directors are: Norman Barwise, Merrill Lynch, Pierce, Fenner & Beane; William Sweet, Peters, Writer & Christensen, Inc.; Frank Tschudi, Bosworth, Sullivan & Co.; William May, Stone, Moore & Co.

George Writer and Norman Barwise are two of the National Committeemen and two more will be appointed by the President after the first of the year.

CLEVELAND SECURITY TRADERS ASSOCIATION

The Board of Governors of The Cleveland Security Traders Association have nominated the following slate for the year 1951:

Everett A. King

Howard J. Eble

Harmon A. Rudin

Walter J. Carey

President: Everett A. King, Fulton, Reid & Co.
Vice-President: Howard J. Eble, Wm. J. Mericka & Co., Inc.
Secretary: Harmon A. Rudin, Ledogar-Horner & Co.
Treasurer: Walter J. Carey, Gunn, Carey & Co.

The Nominating Committee, composed of A. W. DeGarmo, Chairman; George F. Opdyke and J. N. Russell, have submitted the following candidates to comprise The Board of Governors for the year of 1951 (four to be elected):

Roy E. Bock, Dodge Securities Corporation.
Robert L. Erb, Green, Erb & Co.
Albert Fischer, Paine, Webber, Jackson & Curtis.
Myron Gelbach, T. H. Jones & Co.
Milton B. Lewis, Jaffe, Siegler & Co.
Martin J. Long, First Cleveland Corporation.
Jack McGinty, McDonald & Company.
Fred Shorsher, Ball, Burge & Kraus.

SECURITY TRADERS ASSOCIATION OF NEW YORK

The Security Traders Association of New York (STANY) Bowling League standings as of Dec. 15 are as follows:

TEAM	Won	Lost
Bean (Capt), Kaiser, Growney, Gronick, Rappa	21	11*
Leone (Capt.), Krasowich, Nieman, Pollack, Gavin	20	13
Krisam (Capt.), Bradley, Montanyne, Weissman, Gannon	19	14
Burian (Capt.), Manson, King, Voccoli, G. Montanyne	19	14
Hunter (Capt.), Lytle, Reid, Kruge, Swenson	18	15
Serlen (Capt.), Gersten, Gold, Krumholz, Young	16	17
Mewing (Capt.), Klein, Flanagan, Manney, Ghegan	16	17
H. Meyer (Capt.), Smith, Farrell, A. Frankel, La Pato	16	16*
Goodman (Capt.), Casper, Valentine, M. Meyer, H. Frankel	15	18
Donadio (Capt.), Demaye, O'Connor, Whiting, Workmeister	15	18
Kumm (Capt.), Weseman, Tisch, Strauss, Jacobs	13	20
Greenberg (Capt.), Sullivan, Stein, Wechsler, Siegel	9	24

*Julie Bean and Hoy Meyer tied their third game. It will be played at the next Bowling session on Dec. 28.

Sam Gronick (Garfield & Co.), Milton Meyer (Shufro, Rose & Co.) and James Gavin (Blair Rollins & Co.) each won a bottle of liquor for high scores. Willie Kumm (Dunne & Co.) had high series for the night with 546. Merry Christmas!

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

The directors of **Sterling National Bank & Trust Company of New York** have elected Frank Kley as a Vice-President of the bank. Mr. Kley was a member of the Price Adjustment Board of the War Shipping Administration during World War II, and from 1945 to 1950 has been a Vice-President of Central National Corporation, underwriters and distributors of securities. He is a director of Eastern Corporation and Royal Lace Paper Works, Inc.

Frank Kley

* * *

The attention of stockholders of **Chemical Bank & Trust Company of New York** in notices this week regarding the annual meeting to be held Jan. 16 is called to an amendment to the by-laws on Oct. 11, which provided for the change in the date of the annual meeting from the second Tuesday to the third Tuesday in January in each year. Commenting on the change, N. Baxter Jackson, Chairman of the board of the bank, said: "The extra week will give our staff more time in which to compile the data necessary for the annual meeting and for the preparation of our annual report."

* * *

The Board of Directors of **Empire Trust Company of New York** voted on Dec. 12 to recommend that the stockholders at their annual meeting, Jan. 15, authorize an increase of 10,000 shares from the present total of 70,000 shares of capital stock of a par value of $50 each, and a transfer of $500,000 from undivided profits to capital stock in conformity therewith, and to approve the action intended to be taken by the directors after the authorization by stockholders of such increase, in declaring a stock dividend of one share for each seven shares of stock outstanding. The directors also declared a regular quarterly dividend of 1½%, or 75 cents a share, on the capital stock payable Jan. 8, to stockholders of record Dec. 22.

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The Board of Directors of **The National City Bank of New York** voted on Dec. 19 to increase the surplus of the bank to $136,000,000 by transfer of $10,000,000 from unallocated reserves. This action increases the combined capital and surplus from $250,000,000 to $260,000,000.

* * *

DeCoursey Fales, President of **The Bank for Savings in the City of New York** announces that Newbold Morris was elected a trustee of the bank at the December meeting of the board. Mr. Morris served eight years as President of the City Council and two years as a member of the City Planning Commission. In 1949 he was the Republican-Liberal-Fusion candidate for Mayor. He is a member of the law firm of Lovejoy, Morris, Wasson & Huppuch and a member of the Executive Committee of the Citizens Union. He is also actively associated with a number of educational and philanthropical institutions.

* * *

Harry L. Barton, Malcolm H. Foulk and Alfred E. Tree have been appointed Vice-Presidents of **Chemical Bank & Trust Company of New York** according to an announcement on Dec. 14 by N. Baxter Jackson, Chairman. Mr. Barton joined the bank in 1908, served as Credit Manager in 1919, Assistant Cashier in 1921 and Assistant Vice-President in 1928. Mr. Foulk joined the bank in 1922, was appointed Assistant Manager of the foreign department in 1939, Manager in 1946 and Assistant Vice-President in 1948. He travels in the United States and Canada for the foreign department. Mr. Tree joined the bank in 1945, became Assistant Manager of the foreign department in 1946 and Assistant Vice-President in 1948. He travels in parts of Europe, North Africa and the Near East. Appointed as Assistant Vice-President was William A. Menzel at the 74th Street office of which he was formerly Manager. Other appointments were Christopher J. G. Dodge as Assistant Treasurer; Aubrey Boyles and William B. Stalker as Assistant Secretaries; Leonard S. Allen as Manager of the municipal bond department; David W. T. Patterson as Assistant Manager of the foreign department; Frank E. Doscher as Assistant Manager of the customers' securities department; William G. Racz and Donald Ross as Assistant Managers of the bond department; Leslie J. Christensen and Herbert H. Turnier as Assistant Managers of the 29th Street office; and Walter C. Sundberg as Assistant Manager of the Rockefeller Center office.

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Central Hanover Bank & Trust Company of New York announces the election of the following Vice-Presidents at a regular meeting of the Board of Trustees: Hoyt Ammidon, F. Morgan Palmer, A. T. Galloway, Charles S. Bishop, Louis E. Imhof, William H. Miller, Grinnell Morris, and W. T. Richmond. The following Assistant Vice-Presidents were appointed: Gordon A. Watson, Randall Rubenstein, Henry F. Skelton, Henry R. Juliand, Edward C. Reuter, Joseph C. Walz, and Ray F. Faughnan.

* * *

Harry J. Pugh has been elected a Vice-President of the **Corn Exchange Bank Trust Company of New York**, it is announced. Mr. Pugh was formerly an Assistant Vice-President.

The bank on Dec. 18 opened its 77th branch at 1308 E. Gunhill Road, to be known as the East Gunhill Road branch. Frank D. Sullivan will be Manager and Charles J. Laub will be Assistant Manager of the new branch.

* * *

Irving Trust Company of New York opened on Dec. 18 its newest branch office at the corner of Fifty-seventh Street and Madison Avenue. This office is Irving's fifth in mid-town Manhattan. In its design and decoration the new branch office is a blend of the traditional and the functional—incorporating the most modern ideas in banking office equipment and arrangements. The banking quarters occupy two floors which are connected by private interior elevator service. There is a main banking room at street level and a lower banking floor containing safe deposit vaults. The office is completely equipped to handle both domestic and international banking needs of customers. Peter D. Crawford is Vice-President in charge, and other members of the official staff include Walter E. Seibert, Vice-President, and James M. Maltbie and William E. Scott, Assistant Secretaries. To commemorate the opening of the new branch office, Irving has issued a brochure entitled "Spotlight on 57th Street," which tells in words and pictures the past hundred-year history of the Fifty-Seventh Street neighborhood's growth from a virtual mut-flat to the prominent thoroughfare it is today. The Irving branch is in the new 25-story office building just erected on the site of the old Parke Bernet galleries.

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The directors of **The Marine Midland Trust Company of New York** have voted to amend the company's by-laws to permit the holding of the annual stockholders' meeting on the third Wednesday in January of each year, instead of the Wednesday after the second Tuesday in January. The coming annual meeting of stockholders will be held on Jan. 17.

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Thomas J. Shanahan, President of the **Federation Bank and Trust Company of New York**, announced that at a meeting held on Dec. 12 the directors declared a regular quarterly dividend of 25 cents a share, plus an extra dividend of 25 cents a share, making a total of 50 cents, payable Dec. 28 to stockholders of record Dec. 15.

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Announcement has been made by the **East River Savings Bank, New York City**, of the retirement effective Dec. 31 of three officials, viz.: Lester Van Brunt, Executive Vice-President, Secretary, and a member of the Board of Trustees since 1921; William G. Terlinde, Vice-President, having served the bank 45 years; Gaetano Zampariello, Assistant Vice-President, who was first associated in 1906 with the Italian Savings Bank which merged with the East River Savings Bank in 1932.

The following appointments effective Jan. 1, 1951, were made by the Trustees: George O. Nodyne, Vice-President in charge of branches and staff relations, was designated as Executive Vice-President. Mr. Nodyne, President of the New York Chapter of the American Institute of Banking, 1948-49, has been associated with the bank since 1922; Charles C. Joyce, Vice-President and Treasurer, was designated Administrative Vice-President and elected Secretary; Joseph A. Duddy, formerly Comptroller, who came to the bank in 1926, will succeed Mr. Joyce as Treasurer. Henry J. Monsees, Assistant Vice-President in general administration; Theodore J. Kegelman, Manager of the Rockefeller Center office; George A. Smyth, Manager of the 96th Street office, and Arthur E. Kroner, Manager of the Cortlandt Street office, were advanced from Assistant Vice-Presidents to Vice-Presidents.

* * *

The regular stock dividend of the **County Trust Company in Westchester, at White Plains, N. Y.**, for the fourth quarter of 1950 was raised from 40 cents to 45 cents. If continued, this would represent an increase in the annual dividend rate from $1.60 to $1.80 per share. This information was revealed in statements made by Andrew Wilson, Jr., Chairman of the board, following a meeting of the directors held Dec. 13 and by Dr. Joseph E. Hughes, President of trust company, at the annual Christmas Party held the night of Dec. 13 at the Sleepy Hollow Country Club.

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Adam Schneider, Jr., President of the **Roosevelt Savings Bank, of Brooklyn, N. Y.**, announces the election of George E. Fenniman to the Board of Trustees of the bank. Mr. Fenniman is Vice-President in charge of sales and service of the New York Dock Co.

Plans to be acted upon on Jan. 3 by the stockholders of the **Providence National Bank** and the **Union Trust Co.**, both of **Providence, R. I.**, provide for a consolidation of the institutions under the charter of the Providence National Bank and under the title of the **Providence Union National Bank & Trust Co.** The Providence "Journal" of Dec. 5 stated that all offices of both institutions will be continued with their present personnel, including branch boards of managers. In part the "Journal" also said:

"Walter F. Farrell, President of Union Trust Co. since 1927, will be President of the consolidated bank, with offices in the Union Trust Building. Rupert C. Thompson, Jr., President of Providence National since 1943, will be Executive Vice-President with offices in the addition to the Providence National building now nearing completion. The merger agreement provides that the capital of the consolidated bank will be $3,250,000, consisting of 130,000 shares of $25 par value stock. This, together with surplus and undivided profits, will provide total capital funds of more than $10,000,000.

"The capital stock of the Providence National Bank consists of 80,000 shares of $25 par value on which dividends at the rate of $3 annually have been paid in recent years. For each of these shares it is proposed to issue in exchange one share of the consolidated bank. The Union Trust Co. capital stock consists of 10,000 shares of $100 par value on which dividends at the annual rate of $7 a share are now being paid. For each of these shares five shares of the consolidated bank will be issued.

"Allocation of stock has been arrived at by an equitable valuation of the net assets to be contributed by the two banks. At the end of 1949 total assets were reported to be $87,960,000 for Union Trust Co. and $60,978,000 for Providence National.

"It will be the first consolidation move for Union Trust Co. Providence National, on the other hand, has figured in a move of this kind before. In 1945 it combined with the Blackstone Canal National Bank."

* * *

The proposed merger of **The Shelton Trust Co. of Shelton, Conn.** (capital $200,000) with the **First National Bank & Trust Co. of Bridgeport, Conn.** (capital $2,000,000) became effective as of Dec. 2; it was effected under the charter and title of the Bridgeport institution. The initial capital of the consolidated bank will be $2,000,000, divided into 40,000 shares of common stock, of the par value of $5 each. An item bearing on the merger was given in our issue of Oct. 19, page 1496.

* * *

Action on a proposal to increase the capital of the **Passaic-Clifton National Bank & Trust Co. of Passaic, N. J.**, from $2,250,000 to $3,000,000 will be taken on Jan. 9, when the stockholders will vote on the question of approving a stock dividend of 33⅓%. According to the Newark "Sunday News" of Dec. 10, the dividend, 60,000 shares having a par value of $12.50 each, would increase the total number of common shares outstanding from 180,000 to 240,000 shares. The "News" states that a resulting surplus account of $3,000,000 and undivided profits reported at over $1,000,000 will put the bank's total capital funds at over $7,000,000. George Young, Jr., is President of the bank.

* * *

C. Stevenson Newhall, Chairman of the board of the **Pennsylvania Company for Banking and Trusts, of Philadelphia**, died on Dec. 15. Mr. Newhall, who was 73 years of age, was stricken on Dec. 7 aboard a train outside Washington while returning from Daytona Beach, Fla., according to the Philadelphia "Inquirer," which noted that he was a native Philadelphian, and in part also said:

"On Nov. 12, 1896, when he was 19, he was employed by the Pennsylvania company as an Assistant Bookkeeper. He was appointed Assistant Treasurer on May 8, 1905. Subsequently he became Treasurer, Secretary, Vice-President and Executive Vice-President of the institution.

"He was elected President of the bank on April 30, 1934. He served in that position, as the bank's 15th President, until his elevation to Chairman of the board on Jan. 17, 1938.

"Mr. Newhall was active both in the community and in the business world. He was a member of the Board of Managers of the Germantown Dispensary and Hospital and served as the institution's Treasurer from 1912 to 1948.

"He was Manager of the Saving Fund Society of Germantown and a member of the Advisory Committee of the Reconstruction Finance Corp."

* * *

The voluntary liquidation of the **Farmers Deposit National Bank of Pittsburgh, Pa.**, became effective at the close of business on Dec. 1, following the bank's absorption by the **Mellon National Bank and Trust Company of Pittsburgh**, noted in these columns Dec. 7, page 2195.

* * *

Walter G. Bellairs has been appointed Assistant Secretary and Charles J. Weber appointed Assistant Treasurer of the **Land Title Bank and Trust Company, Philadelphia.**

* * *

Stockholders of **The Bank of Virginia at Richmond** will receive cash dividends of $1.10 per share at the end of the year, by action of the directors at a meeting on Dec. 8. The board declared the regular quarterly dividend of 30 cents per share and an extra cash dividend of 80 cents per share. Both will be payable on Jan. 2 to stockholders of record Dec. 18. In addition, a dividend in stock will be issued on Dec. 29 to stockholders of record of Dec. 18 on the basis of one new share for nine now held. This action by the directors followed approval by stockholders on Nov. 27 of a charter amendment to permit an increase in the bank's capital stock from $1,800,000 to $2,000,000, previous reference to which appeared in our issue of Dec. 7, page 2195.

Total cash dividends declared for 1950 will amount to $2 per share. The 10,000 additional shares of stock to be issued Dec. 29 will bring the total shares to 100,000 of par value $20 per share.

* * *

The board of directors of **Merchandise National Bank of Chicago** on Dec. 12 elected five new officers, including three Vice-Presidents and two Assistant Cashiers. Peter W. Schmidt, former Assistant Vice-President, associated with the bank for 12 years, became Vice-President in charge of overall operations of the instalment loan department; Arthur V. Royds, Assistant Vice-President with 16 years' service at the bank, was advanced to Vice-President; F. W. Rudolph, former Assistant Vice-President and with the bank for 15 years, was also promoted to Vice-President. Named Assistant Cashiers were Arthur F. Boberg and Leslie V. Miller. Mr. Boberg formerly served with the First Federal Savings & Loan Association of Chicago; Mr. Miller joined Merchandise Bank 16 years ago.

* * *

Plans to increase the capital and surplus of the **Republic National Bank of Dallas, Texas**, to $32,500,000 were announced on Dec. 12 by President Fred F. Florence following the monthly meeting of the directors. A special meeting of stockholders will be held on Dec. 23 to vote on the

proposed increase, which calls for the issuance of 125,000 shares of additional stock to be offered ratably to stockholders at $40 per share. The proceeds, amounting to $5,000,000, will be equally divided between capital and surplus, increasing the capital from $13,500,000 to $16,000,000 and surplus from $14,000,000 to $16,500,000. At present there are 675,000 shares of stock outstanding. The proposal provides the right for each stockholder to subscribe for one share of new stock for each five and four-tenths shares (5 4/10) stock owned. Subject to the adoption by the stockholders of the proposed increase, arrangements have been concluded with a group of investment bankers to underwrite the new shares. The syndicate will be headed by Walker, Austin and Waggener; First Southwest Company; and Dallas Rupe & Son. Giving effect to the proposed increase, the capital, surplus, and undivided profits of the bank will be approximately $36,000,000. In addition, the stockholders have full ownership of the Republic National Co., not included in the bank's assets, having capital and undivided profits of approximately $3,300,000. The bank also has reserve for contingencies of 2,500,000, giving a combined new worth of the bank and company of approximately $41,800,000.

* * *

Directors of **Crocker First National Bank of San Francisco,** on Dec. 14 declared the 60th regular dividend of $1 per share on the $25 par value capital stock, payable Jan. 2 to stockholders of record Dec. 26. At the same time, the directors authorized the transfer of $2,000,000 from general reserves to surplus, increasing surplus to $14,000,000.

* * *

Four prominent banks in India are in the process of merging to become the **United Bank of India Ltd.,** according to advices received from Calcutta by the **Guaranty Trust Company of New York.** They are the Bengal Central Bank Ltd., The Comilla Union Bank Ltd., The Comilla Banking Corporation Ltd. and The Hooghly Bank Ltd. The amalgamated bank will be an authorized dealer in foreign exchange in India.

Halsey, Stuart Group Offers Equip. Tr. Ctfs.

Offering of $5,595,000 St. Louis-San Francisco Ry. 2⅝% equip. trust certificates, series H maturing annually Dec. 1, 1951 to 1965, inclusive was made on Dec. 15 by Halsey, Stuart & Co., Inc. and associates at prices to yield from 1.75% to 2.65%, according to maturity. The group won award of the certificates at competitive sale Dec. 14 on its bid of 98.53%.

The certificates are being offered subject to approval of the Interstate Commerce Commission and are being issued under the Philadelphia Plan. They will be secured by approximately $7,014,235 of new standard-gauge railroad equipment.

H. T. Marcus V.-P. of Wm. E. Pollock

Harold T. Marcus has been elected a Vice-President of Wm. E. Pollock & Co. Inc., 20 Pine Street, New York City.

To Be McCormick & Co.

CHICAGO, Ill.—Effectice Jan. 1 the firm name of Kebbon, McCormick & Co., 231 South La Salle Street, members of the New York and Midwest Stock Exchanges, will be changed to McCormick & Co.

Have New Leadership or Trust in God, Alone!

By JOHN H. CRIDER*

Editor-in-Chief, The Boston "Herald"

Prominent Boston editor, noting revolutionary economic and financial developments since World War I, finds the new "managed money" policies permits extravagant spending and borrowing by governments, and thus, in absence of gold standard currency, is leading to continuous inflation. Holds adopting income tax was first step toward Socialism in this country, and contends it is myth that U. S. now has private banking system. Sees only remedy in new leadership to lead nation.

The title I selected at random for the title of this talk happily turns out to be about as appropriated as anything I could have thought of if I had known what was going to happen. *In God We Trust,* as is says on the face of our most numerous currency, is something we have to be mindful of in these perilous days.

John H. Crider

Most of you are conservative fellows, and I am myself a Republican, which seems to be a synonym for the same thing. So what I am going to say to you may appear a bit radical, considering its source, but I believe that above all else we must be realistic in confronting the current and future situations. One of the greatest troubles with our clan has been our unwillingness or inability to open our eyese to reality. The fellows who have been getting elected have seen the picture more clearly, and perhaps that's why they get elected when our fellows don't. Incidentally, we musn't be smug over the recent Congressional elections even though Taft won and Scott Lucas got licked. The fact is that the minority party gained fewer seats than usual in an off-year election. And, as for Massachusetts, a Londoner reading the returns must have wondered if it was still a part of the United States.

For practical purposes a line should be drawn at about 1914 instead of at the turn of the century to divide the new from the old channels of thought and action. Up until 1914 the British Admiralty and the bankers and merchants of Lombard and Threadneedle Streets in the old City of London had pretty much run the world for approximately 100 years. There were some wars, to be sure, but on the whole that Pax Britannica was a pretty real and lovely thing. A lot of people didn't make as much money as they do now, but they were a whole lot happier.

Commenced With World War I

Now it is my contention that the socialization of money, now an accomplished fact in the non-Communist states, commenced with the first great war. Up until that time money and credit had been controlled by private interests. The bankers of London were mighty canny fellows. They kept the account books of the world. They had loaned money pretty wisely for the rehabilitation of Europe after the Napoleonic Wars. They made sterling letters of credit the commercial currency of the world. Sterling was invested all over the globe and frequently the earnings were left to accumulated or to be reinvested, thus building up British fortunes everywhere. The world came to the private bankers of London for credit in those days as it now comes, not to Wall Street, but to Washington. The British bankers, who were influential in government, saw to it that the channels of trade were wide open. Tariffs were held down or eliminated, and if one of the debtor nations couldn't keep its house in order, the Royal Navy was pretty sure to show up and do a bit of policing. That was British imperialism which, for all of its abuses, was like a Quaker meeting compared with the imperialism of the Soviet Union.

Prior to the First World War, governments customarily did their borrowing from the private bankers who were in a position to see that the borrowers hewed reasonably well to the conventions of traditional finance. But the financial demands of that Great War, microscopic though they were compared to the second debacle, forced governments to borrow on a vast scale directly from the public. Up to World War I the London bankers had insisted upon maintaining a balance between outstanding credit and the goods in transit or under production against which loans had been made. But the huge destruction of the first great war, plus the astronomical borrowings which it occasioned blasted that relation to smithereens and it has never been recovered since. Most of the things for which that money was borrowed went up in smoke.

Now, no Limit to Borrowing

But the important thing was that governments found out that there was virtually no limit to what governments might borrow. Also, borrowing was a pretty handy thing politically because it was not reflected in the current tax rate. Politicians could hand out benefits and defer the painful tax. Under this technique, operated in times of peace, the people could be led to believe that they were eating their cake and having it too.

I think it was a fellow named Choate from Boston who is still upbraided by the so-called liberals because he argued that the advent of an income tax was the forerunner of socialism in this country. He was laughed at, and still is a subject of ridicule, for calling it socialistic. Of course, in terms of the original nominal income tax rates, it must have sounded like a pretty pessimistic view of such taxes. But see what has happened! Mr. Choate was not so far from wrong. He just had a bit more vision than either his contemporaries or the current phoney "liberals" who can see no further than their noses or, if their vision is extraordinary for their kind, can see no further than their prejudices permit them. The income tax amendment simply opened up a vast new reservoir of funds which could be tapped, at least for the first few years, with very little pain to the taxpayer. My own view is that the advent of the so-called pay-as-you-go tax system, under which the government takes the victim's money before he even sees it, completed the cycle by which the central government could go hog-wild in its spending mania. I doubt whether many of the average working folk even know how much of their earnings go to the government. All that interests them is what is left in the pay envelope after Uncle Sam has dipped into it. This makes for blindfolded citizenship and the governmental license that flows from it.

A Check to Taxation

But there is a check on taxation, and that is the desire of politicians to get re-elected. That is where borrowing comes in. When so-called "essential" governmental programs get so big that the accompanying tax burden begins to pinch, we get the sort of thing we had from President Truman before the current military emergency. He stacked up his so-called essential programs, cited the cost, and proclaimed that not one penny could be saved. He couldn't hold his program within foreseeable revenues and Congress wouldn't raise the taxes, so the easy road of deficit financing was traveled once more.

The myth is still maintained that we have a private banking system, but I am sure that any thinking person who takes the time to look at the facts and think them through will see how untrue this is. If the government took over every bank in the country tomorrow the situation would be precisely the same except for new faces and, I grant you, that would make a very great difference. What controls the national credit situation now is the size of the national debt and the effects of that debt's management. The government not only controls the size of the debt, but also its management. Private bankers do have some say in the Board of Governors of the Federal Reserve System, but ever since the public debt became the dominant factor in the national fiscal picture it has been the Treasury which called the signals. The recent slight uplift in the interest rate was about the only victory the Reserve Board has had in this field for a very long time, and the Treasury might very well change its mind at any time.

A Mismanaged Money

So, we have a managed currency, as the experts say. One might say a mismanaged currency. The hard and fast regulations of the old gold standard have been long since dispensed with. Politicians could not use public money so extravagantly for political purpose if they were still relied upon. In other words, we have men, mostly political men, making the decisions which determine the soundness or unsoundness of our currency. It has been too much fun, so far, for both the people and the politicians, and so I don't think there is much hope for ever going back to the old rules. Men are conceited cusses anyway, and when they say they can manage money better than could the time-tested rules of the gold standard, well—then they will persist in thinking so until the debacle. And, being the way they are, the men in question will then rationalize the whole situation and history will record that it was not the failure of these men that caused the trouble, but some extraneous factor such as the unpredictability of the whimsical Joe Stalin. No, I think we are batting our heads against a stone wall if we seriously believe we can ever get away from the new kind of money management.

Get Right Kind of Men

That being the case, the thing for us to do is to try to get the right kind of men to manage the money, and to make the policies which effect the value of our currency. As long as the present gang is in power in Washington, come peace or war, inflation is going to continue on a planned basis despite all of the anti-inflationary talk from the national loudspeakers. It has to be that way if they stick to their re-election formula. That is simply to keep pushing up industrial wages to collect the union vote, and then to subsidize the farmers at the ever higher level of industrial price parity to insure the farmers' votes. It's that simple. And it's so plain that one of our cynical local bankers said to me on the subject, "I'll settle for inflation at the rate of 2½% a year as an alternative to bloody revolution." That, my friends, is surrender, but unless we can kick the rascals out and get in a new team committed to sound financing, our currency is bound, over the long term, to go the way of disaster.

In conclusion, I want to add another closely related thought. We have lived through perilous times and will live through more. They are times which call for a reaffirmation of time tested values and a return to American first principles. But, unfortunately, as history amply demonstrates, at such times values shake and people lose faith rather than regain it. I dare say that never since the revolutions of the late 18th century, or perhaps since the Reformation, have people been as confused as they are right now. In this situation, sound principles are dangerously in jeopardy, and those contained in the doctrine of the gold standard are just as much foresaken as other values which, did we but rest from our political opportunism, we would know to be worth whatever momentary discomfort their practice might occasion.

Finally, I would say that what we need most of all is a new leadership which can command rather than follow the crowd. We need men—men of the kind described in Sara T. Wilber's timely poem:

"God give us men. The time demands
Strong minds, great hearts, true faith, and willing hands;
Men whom the lust of office does not kill;
Men whom the spoils of office cannot buy;
Men who possess opinions and a will;
Men who have honor; men who will not lie;
Men who can stand before a demagogue
And scorn his treacherous flatteries without winking;
Tall men, sun-crowned, who live above the fog
In public duty and in private thinking."

Unless we find such men and elevate them to our positions of power, we shall surely have to trust only in God, having no trust in ourselves.

*A talk by Mr. Crider before the Corporate Fiduciaries Association of Boston, Boston, Mass., Nov. 29, 1950.

F. P. Ristine to Admit Weyble and Israel

John Weyble and Henry Israel will be admitted to partnership in F. P. Ristine & Co., members of the New York Stock Exchange, Jan. 2. Both will make their headquarters at the firms New York office, 15 Broad Street, with which Mr. Weyble has been associated for many years.

The FHA and Housing Situation

By FRANKLIN D. RICHARDS*

Commissioner, Federal Housing Administration

FHA Chief reviews new housing conditions since Korean War and measures taken to assure substantial reduction in new residential construction. Estimates 4½ million homes have been built since World War II. Says emphasis now will be placed on small homes and efforts will be made to balance defense needs with civilian requirements. Reports FHA in sound condition.

I

The Situation Before Korea

Before the international situation arose in Korea, construction activity was at a peacetime high, whether measured in dollars or units. During the first six months of this year the dollar volume of nonfarm mortgage recordings attained a record level. This level reached nearly $7¼ billion, which was 35% above the corresponding period of last year. Construction activity was at a peacetime high during the first half of 1950, whether measured in dollars or in units. Naturally, this new peak in construction activity involved heavy demands for labor and materials. In addition, there was the inflationary aspect of the rising level of credit and the fact that the prices of building materials had been going up since the summer of 1949.

Franklin D. Richards

II

Conditions Since Korea

The situation changed immediately with the outbreak of war in Korea. In the building industry there was evidence of panic buying and a rush to start construction. This sharp increase in business activity and the inflation in prices was primarily to anticipate future needs rather than the effect of government order for defense materials.

An ample supply of credit was available and as costs increased and material shortages developed it became increasingly apparent that some action should be taken to curb inflation and conserve materials needed in the defense plans.

III

Credit Curbs

The first corrective action was taken at the request of the President of the United States—and on July 18 the FHA announced credit restrictions to be effective on all applications for mortgage insurance filed after July 18 These FHA credit controls froze construction cost figures as of July 1, 1950, and reduced the ratio of loan to value, or loan to cost, by 5%.

Under the provisions of the Defense Production Act credit curbs were extended to conventionally-financed mortgages on Oct. 12. FHA regulations were amended at the same time to make our restrictions conform, in so far as possible, with Regulation X of the Federal Reserve Board. The July 18 FHA amendments apply to applications filed on and after July 19 through Oct. 11 under all sections of the National Housing Act, other than for military housing. The Oct. 12 FHA amendments apply to applications filed on and after Oct. 12 and apply to the financing of one- and two-family dwellings. The July 18 amendments apply to the financing of multi-family structures, even though the application is filed subsequent to Oct. 12.

These restrictions are designed to assure a substantial reduction in new residential construction next year. Considering all factors at the present time, it appears that possibly 800 to 850 thousand unit starts might be a reasonable estimate for 1951.

*An address by Commissioner Richards before the Mortgage and Real Estate Forum of the Mortgage and Real Estate Department of the New York Savings Banks, New York City, Nov. 28, 1950.

IV

Overhang on the Market

Slowing down the tremendous production of housing is going to be gradual. This is only natural for we have had a record volume year that already has exceeded the previous record year of 1949 and it is not logical to assume that housing projects will be brought to an abrupt stop.

A great deal of planning goes into housing developments and many projects going up now were planned even before the Korean situation. The FHA at the present time has commitments outstanding, under Section 203 alone, in the amount in excess of $2.5 billion.

In this connection, I should like to mention, briefly, the 60-day cancellation clause on FHA commitments.

This is not an arbitrary proviso and we do not want it to cause inequities. The purpose is purely practical. You can appreciate that with the large volume of Title II commitments outstanding it is necessary and desirable, in order to conserve the authorization and be able to operate continuously, that all commitment authorization that is not going to be used promptly should be recaptured. It is to the interest of lenders and builders, as well as to the interest of the FHA, that commitments that are not going to be utilized should be canceled.

V

Cutback in Volume

The recent credit restrictions were designed to assure a substantial reduction in new home construction next year, as compared to what has been done this year.

Results of the Bureau of Labor Statistics' survey of new one-family home financing in nine metropolitan areas give an interesting sidelight to the credit curbs. The survey, which covered the last six months of last year, shows that three-fourths of the purchasers of mortgage-financed houses were veterans and that half of them made no down payment.

Another interesting fact brought out in the survey was that houses in the $7,000 to $10,000 price brackets were the most popular among both veterans and nonveterans.

For the first time this year, private residential starts in October (101,600 units) dropped below the comparable month in 1949. This is 8½% below the September starts and just slightly under 300 units—the October, 1949, figure. The FHA starts for October totaled 39,300 units and this was 5% under the September total. It would seem to appear that the trend of reduced construction activity has begun.

VI

Present Market Demands

In order to get the best results and have the least possible disrupting effect, a larger part of new residential construction should be directed into the lower-priced market.

This is the field of housing in which the need is greatest and also the moderate priced house naturally uses less material than the luxury residence. Builders' plans for 1951, from reports I have received, are focused on the lower priced house. Under the present credit curbs there is a relatively smaller increase in the amount of down payment in the lower cost house and our directors reported, as late as the first of this month, that houses in the lower price range are selling within 30 days.

It seems likely that the small homes program under Section 5 of Title I will be utilized to an increasing extent. This mortgage insurance plan is especially well suited to outlying areas.

Another area of market demand I want to mention is that of housing for minority groups. With improved incomes and better employment possibilities, this segment of our population is seeking and needs better housing.

In considering present market demands, we can take into consideration the fact that there have been 4½ million housing units built since World War II. Likewise, there is comparatively new housing at strategic defense plants. It is, I believe, particularly sound at a time like the present to channel production into houses that are actually needed, rather than higher cost housing where the demand may be created through promotional efforts.

VII

FHA's Financial Position

As bankers, you will be interested in the financial position of the Federal Housing Administration, which last June passed its 16th anniversary. The FHA has insured approximately $22 billion in home mortgage and property improvement loans made by private lending institutions throughout the country.

Of this $22 billion lent by about 18,000 institutions, a large percent has been paid off through amortization and prepayments leaving a little over $12 billion of insurance in force.

We have paid operating costs out of income; authorized and paid dividends of about $23 million; and have built up reserves and capital in the amount of $242 million.

Of the FHA reserves, a little over $231.6 million are invested in U. S. bonds and the account has an average yield of 2.44%.

Debentures issued in connection with mortgage loans insured under the present regulations bear 2½% interest under all sections of the Act. At the present time the debenture liability of the Administration amounts to approximately $35 million. However, it is the policy of the FHA to call these debentures when it appears that after payment of the debentures to be called the particular insurance fund will be sufficient to meet its other obligations and charges as they mature.

I have confidence that our reserves and revenue are sufficient to meet losses and pay operating costs. It should be borne in mind when you consider the relationship of the total volume of insurance written with the amount of the reserves that almost half of the insurance written has now been paid off—through prepayment or amortization—and likewise, the fact should not be overlooked that in the event of foreclosure and payment of insurance the FHA has, in the first instance, the physical security to liquidate before calling upon reserves. As I said, I am confident that our reserves are adequate; however, the soundness of mortgage insurance is even further reinforced by the provision that FHA debentures are guaranteed by the United States Treasury. Recently I sent all approved mortgagees a copy of our financial statement, which, in my opinion, indicates a sound condition.

In order to be as factual as possible, let me report to you on the FHA experience with respect to losses. Even taking into consideration the fact that the FHA has been operating during a period of rising real estate prices and high incomes, I believe we can be proud of our record. As of March 1, 1950 the Administration's losses on the total amount of all types of insurance written were ¼ of 1%.

VIII

Acquired Properties

Probably the most talked-of program of the FHA is Section 608. As you may recall, this program was originally designed for the purpose of stimulating the production of war rental housing and later adapted to postwar conditions to provide much-needed rental housing for veterans who had returned to private life but were having a difficult time finding shelter for their families.

The terms under 608 were liberal. Congress did not include in the law the economic soundness stipulation that has always been a proviso of the long-range rental housing program under Section 207, but rather, the law was made to read, "an acceptable risk in view of the shortage of housing."

Let me give you a quick summary of the 608 figures:

(1) Approximately 405,000 units have been insured.

(2) About $2.9 billion of private investment insured by FHA has been invested in needed rental housing projects.

(3) Only 72 projects (with 4,880 units) have been acquired by the Administration. Those already sold have shown no loss.

The authority to issue new-construction commitments under Section 608 expired on March 1, 1950.

Although the Administration has insured over $17½ billion in mortgage loans since its establishment 16 years ago, there are now on hand only 1,682 properties and the 72 projects to which I have just referred.

Much has been said and written about the 608 program. Its emergency nature and large volume has given rise to a great deal of speculation. Some observers have predicted that many of these rental projects will eventually be acquired by the FHA.

I do not believe this will be the case and certainly the record so far does not indicate it.

We have found that defaults are usually more apt to occur in the early days of a rental project where sponsors are not experienced managers. If this continues to be our experience it would appear that as time goes on and the new projects become well established, and well managed, there may well be fewer rather than more defaults.

With insurance on 405,000 units, however, it is logical to assume that there will, of necessity, be some acquisitions. We know that city growths do not always develop as planned. We know industries change plant locations and that the measurement of market absorption is not on exact science. However, it is our best judgment that the 608 program as a whole represents needed housing, and is a healthy addition to the national inventory of dwelling units.

IX

Property Management Policies

The general principle which guides FHA's property management policy is to dispose of all acquired properties promptly at fair market prices and on competitive terms and to endeavor to contribute to the maintenance at all times of a firm real estate market.

The decision to sell or not to sell at a particular time is made in the light of a prudent appraisal of current market conditions and the effect of alternative policies on those conditions.

Policies followed to date have been based on such appraisals. Since the inauguration of the mortgage insurance program, this policy has for the most part meant prompt disposal of properties. This is the case because, for the country as a whole, the real estate market has been an ever improving one, with critical shortages in many places during the war and postwar years. The major exceptions to this situation have occurred in these war areas where employment declined after the war and families moved away leaving a surplus of housing.

For the FHA to have withheld properties from a rising market would have served needlessly to aggravate shortages where they existed and to contribute to inflation. Although from a national point of view the number of properties acquired by the FHA was negligible, in their respective localities the properties were important. The policy of expeditious disposal of properties, which in general has been followed to date, therefore has seemed logical and has been a factor in keeping losses to a minimum.

This policy will be followed as long as present favorable business conditions prevail. If at some time in the future these conditions should change, it can be relied on that the Federal Housing Administration would not participate in dumping properties on the market, as occurred in the years of the last depression with such chaotic results. At such a time FHA would, to an even greater extent, exert a stabilizing influence on the real estate market and at the same time would be protecting the safety of its insurance funds. This is possible because the FHA does not have to put acquired properties on the market nor do mortgages who hold insured mortgages, but instead of dumping the properties the Administration issues debentures to the mortgagee and takes the property in exchange.

The procedures that guide the operation of the property management program have been developed through experience and are characterized by flexibility and economy.

These procedures emphasize the importance of the role played by private enterprise. The repair and improvement of properties, their management and maintenance, and their sale, require the customary services of private enterprise and conform to prudent practices. In selecting the services of private business organizations, it is our policy to see that all interested and qualified persons and firms should have equal right to compete for government business, without favoritism, and that the government should have the benefits which flow from competition.

X

Plans to Utilize Cutback Period

I feel that the FHA is an example of what can be accomplished by government and industry working together.

The objections of the National Housing Act as set forth by Con-

gress are as vital today as they were 16 years ago, although conditions have changed greatly. These objectives were, and are, threefold:

(1) to encourage improvement in housing conditions;

(2) to provide an adequate home financing system to make suitable housing accommodations available for American families;

(3) to have the insured mortgage system exercise a stabilizing influence in the mortgage and real estate markets.

At the present time when we are looking forward to reducing housing production in line with a national defense economy, I believe it is well to lay plans toward devising ways and means of improving the quality and design of housing — particularly in the low cost field. I believe, also, that we should work toward improving our techniques and procedures so that the necessary cutback in housing can be made an asset to the industry as well as a necessity.

Conclusion

For the time being at least, our basic problem is how to evolve the best possible balance between defense needs and civilian requirements.

This will take the full cooperation of government and industry.

As Commissioner of the FHA, I pledge our best efforts in this respect.

Thomas G. Campbell Joins Brady & Co.

Thomas G. Campbell

Announcement is made by Brady & Co., 52 Broadway, New York City, that Thomas G. Campbell, authority on railroad finance, has become associated with them. Mr. Cambiell has recently been with Bruns, Nordeman & Co. In the past he conducted his own investment business in New York.

Phila. Secs. Ass'n Receives New Slate

PHILADELPHIA, Pa. — The Philadelphia Securities Association announces the following nomination of officers for the year 1951:

President: Franklin L. Ford, Jr., E. W. Clark & Co.

Vice-President: Russell M. Ergood, Jr., Stroud & Co., Inc.

Treasurer: Raymond E. Groff, Brown Brothers & Harriman & Co.

Secretary: Lewis P. Jacoby, Jr., Thayer, Baker & Co.

For Governors to serve for three years ending 1953; William Ellis Coale, Eastman, Dillon & Co.; James T. Gies, Smith, Barney & Co.; Lewis P. Jacoby, Jr., Thayer, Baker & Co.; James J. Mickley, Assistant Vice-President, Corn Exchange National Bank & Trust Co.

Bendix, Luitweiler to Admit L. G. Gerald

Bendix, Luitweiler & Co., 52 Wall Street, New York City, members of the New York Stock Exchange, will admit Louis G. Gerald to partnership on Jan. 1.

Continued from page 4

Inflation and the Banking System

crucial in the fight to protect the dollar.

Many counter inflationary measures have been initiated by the Federal Reserve System.

On Aug. 18 the Board approved an increase in discount rates from 1½% to 1¾% and made a significant announcement. It stated that the expansion of loans even at that early date was clearly excessive; that the Board and Open Market Committee were prepared to use all the means at their command to restrict further bank credit expansion within the framework of an orderly government securities market; and that Congress would be asked to provide additional authority if necessary. Since that time, open market operations have been directed toward discouraging sales to the Federal Reserve of short-term government securities including sales by banks to obtain funds for extending other types of credit.

Let me say a word more on the significance of these moves, for they have not been generally understood. There is much more to these actions than a small rise in interest rates. One main objective is to reduce Federal Reserve purchases of government securities. Such purchases supply bank reserves and provide the basis for a sixfold expansion in bank credit and in the money supply.

Restraint is accomplished by making the market for short-term government securities more self-supporting. Resulting higher yields on such securities induce nonbank investors to buy these securities and also discourage banks from selling them prior to maturity to get funds for making other loans. When yields rise, banks are unable to sell securities without incurring some penalty.

On Sept. 18 the Board reinstituted regulation of consumer instalment credit through Regulation W. This regulation established minimum down payments and maximum maturities on automobile and other instalment credit. On Oct. 16, after the extent of the inflationary pressures growing out of the defense program had become more evident, the regulation was made substantially more restrictive.

On Oct. 12 the Board of Governors, with the concurrence of the Housing and Home Finance Administrator, placed curbs on private credit for real estate construction. At the same time the Federal Housing Administration and the Veterans Administration issued new regulations designed to produce a similar tightening of credit under Federal programs. These regulations were designed to help reduce the currently high inflationary pressures by restricting the demand for funds in the mortgage market and through the reduction of new home construction activity to assure that materials and labor required for the defense program would be available when needed.

In spite of all these actions and the appeals by your Association and by the bank supervisory agencies, credit still expands. This is a matter of the gravest concern to the men who initiated this meeting and to us. The blunt truth is that, thus far, appeals and voluntary efforts have not been sufficiently effective to hold the line. That is the reason we are meeting here today. Gentlemen, this is truly a critical situation. There are definite responsibilities for further moves both on you as private bankers and on us as public servants. They are inescapable.

We are here to counsel together on what you can do and what we must do to meet this situation. So far, the approach to credit restraint on a voluntary basis has been through appeals to you and all other lenders on an individual basis. We now know that your competitive situation is such that this approach is not sufficiently effective. The primary question before us today is what further you can do to restrain credit expansion through both individual and collective action on your part.

We have a new facility that may be useful. I refer to that clause in the Defense Production Act which exempts from the anti-trust laws voluntary agreements between financial institutions and the government in furtherance of the objectives of the Act. The administration of this provision has been assigned to the Federal Reserve Board. It has not yet been used. We have no experience with it. It has the warm support of the Attorney General. He has written us that he feels it desirable, because of the inflationary conditions now existing, to assist and encourage in every way possible the making of voluntary agreements among financing institutions which would aid in checking any expansion of credit that is not essential to the defense effort.

In conjunction with Ken Cravens, a meeting has been arranged in New York shortly after this conference to see whether an effective loan agreement can be reached. It is contemplated that such loan agreements will be used primarily by the larger institutions in screening larger loans. It is your problem today to develop ways and means to discourage further credit extensions at all banks irrespective of size and to take collective action to enlist every officer of every bank in your anti-inflation drive.

We have thousands of banks in this country with an army of officers. With such an array going into action important results can certainly be accomplished. It is the reduction of credit on as many loans as possible that really counts. Reductions of $500 here, $1,000 there, and $25,000 some other place by thousands of banks serving millions of customers can produce substantial results.

We know you must stand ready to meet the legitimate credit needs of your customers. But how many loans have you made during the past six months that were not really essential? In how many cases have your customers' needs required the full amount they have borrowed? In how many cases would their really legitimate needs have been served with 20% less, or at least 10% less? In how many cases have you renewed or extended loans when a part, or a larger part, might have been paid off? The sum total of these marginal amounts has swelled the money supply and added an increment of buying power to the market that is reflected in the rise of prices, wages, and costs in general, and in the scarcities that pervade the market today.

This does not mean that a single dollar of really essential credit should be refused. But we must remember that in inflationary periods all additional credit dollars are inflationary, no matter how important they may be to the original borrower. Even credit dollars obtained by the original borrower for defense purposes, when spent, get into the money stream.

There is no question that many business concerns are receiving or will soon receive new defense orders that will require increased bank borrowing for one purpose or another. Such additional credit needs should be met out of the proceeds of the repayments of existing loans as they fall due. The volume of credit that turns over in our banks each day is huge. The credit currently being used by business should be transferred to defense production as civilian production is cut back. We should restrict the growth in total bank credit to avoid inflation.

One final point. Everyone is conscious of the charge that government credit has also been expanding. There have been times when this has been true. The facts are that since June the budget has been in approximate balance, and that new extensions of credit by the various government agencies have been substantially reduced. Measures have already been adopted to bring about an actual curtailment in the amount of this credit outstanding. Undoubtedly still more can be done in the governmental field but the major credit problem today is in the private field. That is where the great expansion has taken place.

We are all in this boat together. Your responsibilities and those of the Federal Reserve System are inseparable. Neither you nor we can meet our responsibilities successfully without close and understanding teamwork between us. Your role is indispensable because you help to shape the business leadership in this country. I have noted in the past that when you exercise your individual credit judgment you really decide who, among all the applicants for credit, will be financed. In making that decision in the past you have played a vital part in providing this country with the virile, enterprising, economic leadership for which it is famous. In making that decision today, you will do much to determine whether the value of the dollar will be defended and whether the strength of this economy of ours, which is the hope and safety of the freedom-loving peoples of the world, will be maintained.

May you play your role with courage and vision. The world needs your initiative and your contribution as never before.

Farwell, Chapman to Admit 2 New Partners

CHICAGO, Ill. — Howard A. Emig and Francis C. Farwell on Jan. 1 will become partners in Farwell, Chapman & Co., 208 South La Salle Street, members of the New York and Midwest Stock Exchanges. Mr. Emig has been with the firm for many years as Manager of the municipal department.

D. MacKinnon Opens

Donald MacKinnon is resuming the investment business from offices at 1775 Broadway, New York City. Mr. MacKinnon was formerly head of Donald MacKinnon & Co.

Securities Salesman's Corner

By JOHN DUTTON

If you will look behind the sales of both intangible, as well as tangible articles, you will see that there are only three basic emotional drives which prompt people to acquire anything. Check up on the customers which you have now, think back over some of the transactions which you have had in recent months, and you will see that all of them fall into the following categories:

Fear—This is probably the strongest reason why people buy securities. The urge to protect oneself against the uncertainties of the future is present in every normal person. Saving and accumulating are always the dominating influence as people grow older. They save for the time when they can no longer work or when illness may strike. They accumulate property which can bring them the feeling of security, and without which they are uncertain and fearful for the future. Today, people are turning to tangible property and securities in their fear that the purchasing power of their dollars will further decrease. If you can discover the intensity of another's "fears," you can direct this strong emotional urge into channels where your selling efforts can be directed in the most efficient possible manner.

Vanity—How many sales have been made in thy name. The desire to live better, to have more, to outshine the other fellow, may be more apparent in some of us than in others, but all of us have the disease to a greater or lesser degree. You may recall the occasions when you visited new prospects in their homes and spent your time admiring the flower gardens, or the furniture, or even the brand new heating system. Or do you remember the many occasions when you have listened for hours to some of your good customers, while they related stories about themselves which otherwise you would have ducked like the plague. Many people even buy securities because it makes them feel important. I once knew a retired engineer who was a brilliant success in his own field. He finally settled down in a cozy house and the ownership of about $150,000 in cash and securities. He set up a work table in his study. It looked like he was starting out to discover all the financial secrets since time began. He had three or four financial services, he had charts on his wall, annual reports were neatly filed in a rack nearby, books on investments filled his bookshelves—all he needed was a Dow Jones ticker. There was only one way to ever sell him—that was to let him talk for about four hours and tell him that he certainly knew what he was doing—then he would buy!

Then comes our old friend *Cupidity*. In some of us this desire is very strong. The age-old urge to get something for nothing—to do it the easy way—you may joke about it and condemn it, but it is something that is with us come what way. Most of the speculation that is denounced so freely, whether it is of the two dollar horse betting variety or on the commodity or stock exchanges, spring from this normal human instinct which is based upon greed, and the desire to "get more." Reformers may talk about such things and denounce all forms of speculation, but as salesmen we know only too well that practically all the thousands of nondividend-paying stocks, or untried new ventures which are offered to the public, are sold only one way, and that is through a direct appeal to "Cupidity." In fact, the world would have progressed little indeed if it wouldn't have been for this much maligned instinctive impulse which is in all of us.

Fear, vanity and cupidity—watch for them and use them in making sales. They are always present. Sometimes all three emotions play a part in creating "action." At other times one or the other dominates, but it is just the same process over and over again in sales work and that goes whether you are selling houses, automobiles, television sets or securities.

Continued from first page

As We See It

subject of inflation. The matter really is not as difficult or as elusive as the many popular misconceptions would suggest.

War and Inflation

Historically war, that is large scale war, has always been associated with drastic increases in prices. Human nature being what it is, it is rather likely that this will always be true. The same conditions in peacetime would without much doubt result in the same increases. In circumstances such as are now being planned for this country during the next two or three years, whether or not we actually are engaged in a large scale, "all-out" war, these same conditions are very likely to arise in one degree or another. Whether they are to result in severe inflation will depend upon the nature and vigor of measures taken to prevent it.

Let us take a plain, commonsense look at what is now being planned. We naturally are no more able than any one else to say just what we shall be spending at any given time in the future, but to be concrete let us assume certain figures which should in any event prove within the right order of magnitude. At any rate they will quite well serve the purpose here in hand. Let us say that 12 or 18 months hence we shall be spending at the rate of, say, $35 to $40 billion annually for defense.

In such an event, some $35 to $40 billion would be paid out in cash to cover wages, wear and tear and obsolescence of plant and equipment, depletion of mineral and other resources, and profits. Now it may or may not be possible for business to replace capital consumed in this process of accelerated production. In any full scale, all-out war it is ordinarily not practicable to do so — certainly if we include housing maintenance and construction. It is doubtful if it can be done, human beings (particularly politicians) being what they are, in an all-out rearmament era. Profits retained in the business are likewise more or less certain to accumulate in cash or what is commonly regarded as the equivalent, for the simple reason that opportunity to invest them in the business is severely limited.

Consumer Income

But for the sake of our argument we may for the moment ignore these factors, and concentrate our attention strictly upon the ordinary consumer and his altered status in an all-out defense economy. Substantially more than half of the national income takes the form of wages and salaries and other compensation of employees. All of this flows into the hands of ordinary consumers. This flow is enlarged by the payment of dividends and profits distributed in cash by unincorporated business enterprises. Now as rearmament is pressed, we shall probably increase the flow of cash to consumers despite the current state of "full employment" and the like about which we are so much disposed to boast. At any rate, we are hardly likely to reduce it appreciably.

Now the flow of goods available to the ordinary consumer are presumably to be reduced very considerably. Indeed the President and the others in Washington are repeatedly harping upon the extent of this reduction. Indeed, if there were no such reduction, then the flow of cash to the consumer would be very greatly enhanced by the rearmament effort — unless, indeed, both peacetime goods and wartime goods are produced without an increase in the wages and salaries bill, which is hardly probable. The hard, cold fact is that given the circumstances actually existing, any such rearmament program as we are planning, plus all the things we are planning to do for half the remainder of the world would without doubt cut very substantially into the flow of goods available to the ordinary consumer.

Must Take Part of Income

Now, obviously the avoidance of inflation in these circumstances implies the necessity of taking a very substantial part of the income of the consumer away from him. The same general reasoning, of course, applies to undistributed profits (which are not a part of consumer income), but the amounts are much smaller and the funds are much more likely to be devoted to purposes which lend support to the rearmament effort. Now there are several ways of reducing the amount of consumer funds likely either to go into consumer markets and force prices up or be hoarded and released to produce the same results at some later date. The most obvious is taxation, and it must be used much more vigorously than in the past. It would be heartening if the President and his advisers were talking more about taxing consumers and less about trying to find more revenue from the already soaked corporations. The other practical method of mopping up these surplus funds is through the sale of government bonds to them, but whether or not this accomplishes the purpose in hand depends almost wholly upon the terms and conditions under which they are sold.

Bonds sold at artificially low yields with virtual promise of conversion into cash on demand (even where the promise is not formal as is the case with savings bonds) is definitely not an avoidance of inflation.

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Truman Announces Defense Plans

forces whenever that may be necessary.

An Intensified Production Program

Furthermore, while we are working toward these immediate goals in man power and equipment, we will also expand our training and production facilities so as to make possible a very rapid expansion to full mobilization if that becomes necessary.

We can handle this production program, but it will require hard work.

It will require us to make a lot of changes in our ordinary ways of doing things.

And this brings me to our fourth big job. In order to build the military strength we need, we will have to expand our production greatly. We must also prevent inflation, and stabilize the cost of living.

If we are to make the weapons we need soon enough, we shall have to cut back on many lines of civilian production. But we cannot build up and maintain our armed might and the industrial strength underlying it simply by cutting back civilian production. We must produce more — more steel, more copper, more aluminum, more electric power, more cotton, more of many other things.

We must set very high targets, and be willing to make an all-out effort to reach them. Workers will be called upon to work more hours. More women, and more young people and older workers will be needed in our plants and factories. Farmers will have to set higher production goals. Business men will have to put their know-how to work to increase production.

Must Hold Prices Down

A defense effort of the size we must now undertake will inevitably push prices up, unless we take positive action to hold them down.

We have already taken a number of steps. We have put restrictions on credit buying. We have increased taxes. I hope that the Congress will enact an excess-profits tax at this session. Still further taxes will be needed. We cannot escape paying the cost of our military program. The more we pay by taxes now, the better we can hold prices down. I have directed that recommendations be prepared, for early submission to the Congress, to put the increased cost of defense as nearly as possible on a "pay-as-you-go" basis.

I have also instructed the Director of the Budget to reduce the non-military expenditures in the new Federal budget to the minimum required to give effective support to the defense effort.

The measures I have just mentioned — credit control, higher taxes and reduced non-military expenditures—are essential. They are our primary defense against inflation, because they strike at the sources of inflation. But as we move into a greatly increased defense effort, we must also take direct measures to keep prices in line.

Price and Wage Control

The government is starting at once to impose price controls upon a number of materials and products. These will be mainly items important to defense production and the cost of living.

In those fields where price control is imposed, the government will also undertake to stabilize wages, as the law requires.

In the immediate future, a series of control orders will be announced by the Economic Stabilization Agency.

In addition, the agency will announce fair standards for prices and wages in those cases where mandatory controls are not imposed. I ask every one concerned not to set prices and wages higher than these standards will allow. If these standards are violated, it will speed-up the imposition of mandatory controls, including roll-backs, where needed.

The chiselers will not be allowed to get by.

As we move ahead with this mobilization effort, there will be increased need for central control over the many government activities in this field. Accordingly, I am establishing an Office of Defense Mobilization. I am appointing Mr. Charles E. Wilson to be director of this office. Mr. Wilson is resigning as President of the General Electric Company to take this job. In his new position, he will be responsible for directing all the mobilization activities of the government, including production, procurement, manpower, transportation and economic stabilization.

Making Preparations for Civilian Defense

The government is also moving forward with preparations for civil defense. I have appointed former Governor Millard Caldwell of Florida to be Federal Civilian Defense Administrator.

In addition, I have recommended legislation to the Congress which will authorize the Federal government to help states and cities in their civil defense preparations. I hope the Congress will enact this legislation soon, so that the civil defense work which has already started can be greatly speeded up.

These are our plans for making our country stronger.

As we go forward, we must keep clearly in mind the meaning of what we are doing.

Our freedom is in danger.

Sometimes we may forget just what freedom means to us. It is as close to us, as important to us, as the the air we breathe. Freedom is in our homes, in our schools, in our churches. It is in our work and our government and the right to vote as we please. Those are the things that would be taken from us if Communism should win.

Because our freedom is in danger we are united in its defense. Let our aggressor think we are divided. Our great strength is the loyalty and fellowship of a free people. We pull together when we are in trouble, and we do it by our own choice, not out of fear, but out of love for the great values of our American life, that we all have a share in.

In this great defense effort that we are undertaking, things may not always go as smoothly as we would wish, either in Washington or in your home town. But remember that we are building our defenses in the democratic way, and not by the iron rule of dictatorship.

Those of us who work in the government will do our best. But the outcome depends, as it has always depended, on the spirit and energy of our people.

The job of building a stronger America must be done on our farms, in our factories and in our homes. It must be done by every one of us, wherever we are, and whatever our jobs may be.

In this time of danger, each of us must accept an individual responsibility for the good of the country.

Unfortunately, at this moment a railway union and a large number of its members are out on an unlawful strike that has partially paralyzed our railroad system.

This action has already begun to slow down our industry. It is interfering with the movement of troops; it is holding up equipment for our fighting forces; and our civilian population has begun to suffer. This strike is a danger to the security of our nation.

As commander-in-chief, therefore, I call upon the union and its striking members to return to work immediately.

I ask you men who are on strike to realize that, no matter how serious you believe your grievances are, nothing can excuse the fact that you are adding to your country's danger. I ask you, in the name of our country, to return immediately to your post of duty.

Our fighting men in Korea have set an example that should inspire us all. Attacked by superior numbers, and in the bitterest of winter weather, they were resolute, steady and determined. Their steadfast courage in the face of reverses is one of the most heroic stories in our country's history.

In the days ahead, each of us should measure his own efforts, his own sacrifices, by the standard of our heroic men in Korea.

Many of you who are young people will serve in the armed forces of your country. Nothing you will do later in life will be of greater benefit to your homes, your communities, your friends.

Many others of you will have to work longer hours in factories, or mines, or mills. Think of this not as longer hours, but as more planes, more tanks, more ships, more of all the things that are needed for the defense of your home and your way of life.

Will Pay More Taxes

All of us will have to pay more taxes and do without things we like. Think of this, not as a sacrifice, but as an opportunity, an opportunity to defend the best kind of life that men have ever devised on this earth.

As I speak to you tonight, aggression has won a military advantage in Korea. We should not try to hide or explain away that fact.

By the same token, we should draw renewed courage and faith from the response of the free world to that aggression. What the free nations have done in Korea is right, and men all over the world know that it is right. Whatever temporary setbacks there may be, the right will prevail in the end.

Because of all these things I have been talking about with you, I will issue a proclamation tomorrow morning declaring that a national emergency exists. This will call upon every citizen to put aside his personal interests for the good of our country. All of our

energies must be devoted to the tasks ahead of us.

No nation has ever had a greater responsibility than ours has at this moment. We must remember that we are the leaders of the free world. We must understand that we cannot achieve peace by ourselves, but only by cooperating with other free nations and with the men and women who love freedom everywhere.

We must remember that our goal is not war but peace. Throughout the world our name stands for international justice and for a world based on the principles of law and order. We must keep it that way. We are willing to negotiate differences, but we will not yield to aggression. Appeasement of evil is not the road to peace.

The American people have always met danger with courage and determination. I am confident we will do that now, and, with God's help, we shall keep our freedom.

Nevil Ford a Sr. V.-P. of First Boston Corp.

At a meeting of the board of directors of The First Boston Corporation, 100 Broadway, New York City, Nevil Ford was appointed a Senior Vice-President of the corporation. The board also announced the discontinuance of the title of executive vice-president and the creation of the new

Nevil Ford

Duncan R. Linsley Wm. H. Potter, Jr.

title of senior vice-president. Duncan R. Linsley, New York, and William H. Potter, Boston, former executive vice-presidents of the corporation, have been named senior vice-presidents.

Mr. Ford is also a director and a member of the executive committee of The First Boston Corporation which he joined in 1921, and has been serving as a vice-president since 1925. He is a past President of the Bond Club of New York and a former Senior Vice-Chairman of the National Association of Securities Dealers, Inc. During World War II, Mr. Ford was Chairman of the U. S. Treasury Department's War Finance Committee for New York. A trustee of the New York University-Bellevue Medical Center, he is currently Chairman of the Center's building fund. He is also director and Chairman of the Finance Committee of the Association for the Aid of Crippled Children in New York. Last week Mr. Ford was elected a director of the Philharmonic Symphony Society of New York.

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The State of Trade and Industry

quotas on these vital products are expected to be reduced about 50%.

As previously predicted, plate quotas are being hit hardest of all. Several companies are already planning to curtail plate allotments for February by as much as 60%. If the petroleum industry is allowed even a substantial part of the 11.9 million tons of steel they are asking, plate consumers will be hit even harder.

In order to fill the plate requirements of such a program many mills now producing sheet and strip would have to switch to plate production. This, of course, would cause deeper cutbacks in sheet and strip. Plate producers who fabricate part of their output would have to make more of their plate available to the program, or fabricate more of it into products needed for the program, this trade authority states.

Defense orders which had been picking up slowly are expected to increase by leaps and bounds soon after the first of the year. The national emergency declaration makes it possible to negotiate government contracts, thus by-passing the time-consuming policy of letting contracts on the basis of bids. Procurement agencies can now negotiate quickly and directly with logical suppliers with less red tape, this trade paper discloses.

Cancellation of a few conversion deals during the past week has not established a trend; rather, it reflects some hesitation on the part of certain buyers. For every deal cancelled there are many companies eager to sign up for this high-priced steel. Major converters are booked full as far as they care to be.

The few conversion cancellations noted so far resulted from two things: (1) Government orders restricting use of other strategic metals is causing some firms to slow up on steel conversion deals. (2) Some consumers over-extended themselves by trying to make conversion arrangements with anyone who would listen to them. Cancellations are still the exceptions. The pattern among consumers is to take all the steel they can get from any source—even if they believe they will have to cut back operations.

Almost lost in the shuffle of defense mobilization is the amazing production record of the steel industry. The final figures will show the steel industry will have produced about 96.9 million net tons of ingots and steel for castings. When converted into finished steel products this will amount to about 71.7 million net tons, concludes "The Iron Age."

The American Iron and Steel Institute announced this week that the operating rate of steel companies having 94% of the steel-making capacity for the entire industry will be 100.8% of capacity for the week beginning Dec. 18, 1950, compared to an average of 101.3% a week ago, or a decline of a half point.

This week's operating rate is equivalent to 1,944,200 tons of steel ingots and castings for the entire industry, compared to 1,953,800 tons a week ago. A month ago, based on new capacity, the rate was 102.7% and production amounted to 1,980,800 tons; a year ago, it stood at 94.5% and 1,742,100 tons.

Electric Output Soars to New All-Time High Record

The amount of electrical energy distributed by the electric light and power industry for the week ended Dec. 16 was estimated at 6,985,421,000 kwh., according to the Edison Electric Institute.

Electric output in the above week attained a new historical high record for the industry.

It was 73,790,000 kwh. higher than the figure reported for the previous week, 988,815,000 kwh., or 16.5% above the total output for the week ended Dec. 17, 1949, and 1,195,230,000 kwh. in excess of the output reported for the corresponding period two years ago.

Carloadings Continue Upward

Loadings of revenue freight for the week ended Dec. 9, 1950, totaled 766,743 cars, according to the Association of American Railroads, representing an increase of 26,821 cars, or 3.6% above the preceding week.

The week's total represented an increase of 97,918 cars, or 14.6% above the corresponding week in 1949, but a decrease of 16,170 cars, or 2.1% below the comparable period of 1948.

Auto Output Lifted Higher in Latest Week

Combined motor vehicle production in the United States and Canada the past week, according to "Ward's Automotive Reports," totaled 169,230 units, compared with the previous week's total of 162,757 (revised) units and 86,229 units a year ago.

Gains by Chevrolet and other General Motors divisions more than offset losses by Chrysler due to model changeovers, Ward's said. Chevrolet was scheduled to turn out a record volume of 38,000 passenger cars in six working days, while Pontiac and Cadillac were also working overtime, the agency added.

Total output for the current week was made up of 130,976 cars and 30,776 trucks built in the United States and a total of 5,353 cars and 2,125 trucks built in Canada.

For the United States alone, total output was 161,752 units, against last week's revised total of 154,731 units, and in the like week of last year 79,692. Canadian output in the week totaled 7,478 units compared with 8,026 units a week ago and 6,534 units one year ago.

Business Failures Decline

Commercial and industrial failures declined to 150 in the week ended Dec. 14 from 170 in the preceding week, Dun & Bradstreet, Inc., discloses. Casualties continued below the 1949 level for the eighth consecutive week; they were down from 161 in the similar week last year, but remained above the 1948 total of 96. Failures were 44% below the 270 in the comparable week of prewar 1939.

Casualties, large and small, were lower in the week.

Manufacturing and trade failures accounted for the week's decrease. While the decline was relatively slight in manufacturing and wholesaling, retail casualties dropped 21 to 65. Contrary to this decrease, both construction and commercial service failures increased, rising to 18 and 19, respectively. These two lines also had more failures than a year ago, whereas all other industry and trade groups evinced a decline from 1949. Only one-half as many wholesalers failed as in the similar week of last year.

All regions except the Mountain and Pacific States reported a decrease in failures during the week. An increase appeared in the Pacific States where failures rose 5 to 49. This area, along with the New England, West North Central and Mountain States, had more casualties than in 1949. While the decline from last year was very slight in most of the other regions, it was relatively sharp in the East North Central and South Atlantic States.

Wholesale Food Price Index Holds Unchanged in Week

The Dun & Bradstreet wholesale food price index for Dec. 12 remained unchanged at last week's level of $6.77, the highest since Sept. 21, 1948, when it stood at $6.82. The current figure compares with $5.74 on the corresponding date a year ago, or a rise of 17.9%.

The index represents the sum total of the price per pound of 31 foods in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Near All-Time High Registered on January 16, 1948

Continuing its upward movement, the daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., rose to 307.47 on Dec. 9, only slightly below the all-time high of 308.82 registered on Jan. 16, 1948. The index closed at 307.19 on Dec. 12, as against 302.79 a week ago and 246.75 a year ago.

Grain markets last week again trended upward, paced by sharp advances in wheat. Interest in the bread cereal broadened considerably, stimulated by good mill demand, substantial sales of wheat for export, increasing buying of flour for both domestic and foreign account, and reports of crop deterioration as a result of dry weather in parts of the West and Southwest. Domestic demand for corn was good and buying for shipment abroad was heavy.

After some early weakness, prices rose to the best levels in two years, aided by a lack of hedging pressure and continued small after-harvest movement to terminal markets.

Cash oats prices were up slightly at the close. Trading was less active with demand only moderate and available supplies still tight. Sales of grain futures on the Chicago Board of Trade totaled 243,366,000 bushels last week, or a daily average of about 40,500,000 bushels, the latter comparing with 44,700,000 bushels the preceding week, and 39,000,000 in the corresponding week a year ago.

Prices in domestic cotton markets were irregular last week with uncertainty over controls resulting in considerable liquidation at times. The market closed on a somewhat firmer note, aided by scattered mill buying and a reduction of 65,000 bales in the Department of Agriculture's semi-final estimate of the season which placed the 1950 cotton crop as of Dec. 1, at 9,884,000 bales. Trading was only moderately active and sales in the ten spot markets totaled only 179,600 bales last week, the smallest volume in over three months, and comparing with 247,000 bales a week previous, and 373,800 in the corresponding week a year ago. Trading in textile markets was slower although some sales for third quarter 1951 delivery were reported.

Trade Volume Spurred by Yule-Time Season

The proximity of Yule-time was reflected in a moderate rise in consumer spending, during the period ended on Wednesday of last week, as shoppers bought slightly more than in the comparable period last year, according to Dun & Bradstreet, Inc., in its current summary of retail trade. An appreciable decline in the purchasing of some durable goods items, under stress of credit curbs and upward price adjustments, was instrumental in keeping total sales unchanged from a year ago in some localities.

The over-all consumer demand for house-furnishings and other durables increased very slightly the past week, as credit restrictions continued to have a generally restrictive effect on the buying of such items as automobiles, large appliances, and television sets.

Total retail dollar volume in the period ended on Wednesday of last week was estimated to be from unchanged to 4% above a year ago. Regional estimates varied from the levels of a year ago by the following percentages:

New England and Midwest +2 to +6; East, Northwest, Southwest, and Pacific Coast 0 to +4; and South —1 to +3.

Wholesale buying rose slightly in the week, as reorders for holiday fill-ins became increasingly prominent. The total dollar volume of ordering was moderately above the level for the corresponding week a year ago. There was an appreciable decline in the number of buyers attending various wholesale centers, although the number was virtually unchanged from the similar 1949 week.

Department store sales on a countrywide basis, as taken from the Federal Reserve Board's index for the week ended Dec. 9, 1950, advanced 2% from the like period of last year. This compared with a decrease of 1% for the previous week. For the four weeks ended Dec. 9, 1950, sales showed a rise of 1% from the corresponding period a year ago and for the year to date registered an advance of 5%.

A new record was established in dollar volume in retail trade in New York last week as sales advanced about 10% above the like period of 1949.

According to the Federal Reserve Board's index, department store sales in New York City, for the weekly period to Dec. 9, 1950, advanced 2% from the like period of last year. In the preceding week an increase of 2% was also registered from the similar week of 1949. For the four weeks ended Dec. 9, 1950, no change was noted from that of a year ago, and for the year to date, volume advanced 1% from the like period of last year.

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Middle East Oil—The Lifeblood of Europe

ports in metric tons, is valuable in noting the serious dependence of Europe upon the Middle East. Of the 711 thousand B/D estimated imports of crude oil into Europe, nearly 90% is estimated to come from the Middle East, with 72% of total petroleum imports finding its source in that area.

Of the approximately 1.8 million B/D of crude produced in the Middle East, runs to stills in this region amounted to 870,000 B/D in June. It seems unlikely that any great amount of these refined products finds its way into the Western Hemisphere, and the only other major world market is Europe. The latest evidence, therefore, indicates that Europe is even more dependent upon the Middle East than the figures in Table II would indicate.

At any rate, **that Europe is dependent upon this highly vulnerable area for nearly ¾ths of its petroleum needs is a fact that deserves a high place in the planning of our diplomatic and military leaders.** Our research in this field has led us to believe that the vital nature of this condition is being overlooked.

Thus far, we have been emphasizing the dependence of Europe on the Middle East for three-quarters of its oil, but the whole problem boils down to the fact that if the Middle East is lost, the other sources of supply would have to be built up by 1.8 million barrels per day if the non-Communist countries are merely to maintain recent rates of consumption. This would call for an increase of 23% in oil production outside of the Middle East and Communist controlled areas. A survey of those other sources of supply strongly suggests that such an increase is out of the question. Furthermore, it should be remembered that this 23% increase would not make any allowance for rising consumption.

Having determined the vital nature of Middle Eastern crude oil and products, let us examine the feasibility of Communist aggression in this area. It is doubtful that many are familiar with the geography of the Middle East. The rather mountainous terrain found in the northern part of Iran might discourage a direct invasion from the north, but it is entirely possible that some move might be made through Baku, on the Caspian Sea, or perhaps an amphibious operation leading to Teheran.

However, either of these potential operations might entail considerable supply difficulties for the enemy, and subversive tactics or infiltration are perhaps more to be feared. Probably the most incredible and least known fact pertaining to the Middle East is that there were, at the end of 1949, only 327 producing wells in operation. At that time, there were 41 wells drilling. Assuming the successful completion of all these 41 wells, the total number of wells in the entire area would amount to only 368, giving average production per well of 5,000 B/D. This compares with some 420,000 wells in the U. S. producing an average of 12 B/D. The vulnerability of this Middle Eastern production to only 368 sticks of dynamite is obvious!

In the last several months, there has been increasing evidence that Communist infiltration is taking place in this area. There have been numerous newspaper articles, albeit well hidden on the inside pages, pointing to a multitude of Communist-instigated disturbances. It does not seem too difficult to envisage a series of similar Communist-inspired riots with the sole purpose of destroying the relatively small number of wells in the area.

I am not at all sure that adequate precautionary measures have been taken to insure the continued supply of this petroleum to our Western European allies. As a matter of fact, I very seriously doubt that the vital economic importance of the situation is fully understood by our diplomatic and military leaders. There is some evidence that company executives and government officials alike are thinking more in terms of preventing the Russians from obtaining this oil than they are of preserving it for our own use. It would seem entirely possible that preparations could be made for the effective destruction of these wells, which would thereby eliminate, at least for a year, Communist use of this petroleum. **However, in order to hold this source of supply for the non-Communist nations, more extensive precautions must be taken.**

The major point at issue is the importance of this oil as a source of supply for the free nations. This is the fact of the situation that seems to be so woefully misunderstood. And, since its economic importance is not recognized, we are very fearful that proper diplomatic and defense measures may not be taken—as witnessed by the fact that only recently Iraq severed a long-term treaty with Great Britain. It must be remembered that Russia's aims might well be satisfied by simply eliminating Western Europe's major source of petroleum.

Significance of the Loss of Middle Eastern Petroleum

In order to demonstrate further the extreme importance of the Middle East in the world oil supply picture, let us for a moment presume the loss of the 368 wells in the area. And it has been shown that such a loss is a distinct possibility unless further defense of the area is undertaken. Of the current total world production, we would have lost 1.8 million B/D, or 19%. This would lower the available production (excluding Russia and her allies) from 9.6 million B/D to 7.8 million B/D, and in order to raise production to current levels, it would be necessary for each of the other producing areas (again excluding Russia) to increase its production by 23%.

Let us look again at Table I. An increase of 23% in the United States would mean the addition of more than 1.2 million B/D, or production of 6.6 million B/D, compared to the current 5.4 million B/D. However, at a recent meeting of the American Petroleum Institute, Edwin G. Moline, Chief of the Petroleum Policy Staff of the State Department, declared "it is doubtful that the U. S. could now supply from its domestic resources much more oil than the amount required to meet the present levels of U. S. consumption without an undesirable drain on its resources, or restriction on consumption." Other estimates of the amount which U. S. crude production could be increased have been many and varied, ranging from Mr. Moline's statement that production could not be increased at all, to others citing potential improvements of 1 million B/D. Even if we take the highest of these estimates—an increase of 1 million B/D—the U. S. would still be short by 200,000 B/D of making up our share of the deficit. Other counties where prorationing has not been in effect would certainly be in a far more serious state, and it is extremely unlikely—we would venture to say impossible—that production could be immediately improved by 23%.

Consequently, even assuming a total increase in crude oil production of 1 million B/D, it should be realized that a loss of the Middle East will mean that consumption must be cut back over the world by at least 800,000 B/D, or about 9%. This would mean rationing in the U. S. Furthermore, we are assuming here no increased military demands for oil and no change in the rate of consumption. However, the U. S. Bureau of Mines has estimated that domestic demand for crude oil in 1951 will increase by 7%. If the Middle East is lost as a source of crude oil, obviously this increased demand (470,000 B/D) cannot be met.

The international **political** significance of the Middle East oil can scarcely be over-emphasized. To a very considerable extent, international political alliances must necessarily lean heavily upon **economic** dependence. Within the last few years, Western Europe has become increasingly dependent upon Middle East oil, in contrast with its dependence upon Western Hemisphere oil only a decade ago. The recognition of this shift is most important.

If Russia gains control of the Middle East oil, it would then be possible for her to dictate the distribution of this vital material to her own political advantage. Frightful pressure could be exerted on any of the countries in the Eastern Hemisphere whenever she so desired. Such control in the hands of the Russians would have catastrophic consequences on our efforts to block the spread of Communism.

In summary, if control of the Middle East oil is lost by the non-Communist nations, the United States must face three alternatives:

(1) **The entire democratic world would have to increase production by 23%** in order to meet current demand, or at least 30% to meet a 6% increase in demand. The impossibility of such a feat, within the next year or so, has been demonstrated.

(2) **Consumption in the non-Communist world would have to be lowered by 19%.** This means, in effect, that not only would civilian consumption face a drastic cut, but that our military arm would also be forced to curtail its consumption—at the risk of greatly limiting its mobility.

(3) **The United States would lose all Europe as allies.** A modern nation simply cannot exist without petroleum products. If this country were unable to insure the supply of Western European oil, these allies would find it necessary to slip out of the U. S. sphere of influence and into the Russian. The loss of these allies in a third World War could be catastrophic.

All of the three alternatives presented are most **unpleasant**, but they must be **considered**. These are the choices that must be made if the Middle East is lost.

Conclusion

The obvious conclusion is that the vital petroleum supply center in the Middle East **must** be held. Additional defense assistance must be granted to the countries in this area. Friendly diplomatic relations must be pressed. However, before these objectives can be achieved, government officials and business leaders must be made aware of the full significance of the Middle East situation. In preparing this article, it is my fervent hope that it will find its way into the hands of the political and military leaders who are responsible for the country's safety and welfare.

TABLE I

World Crude Oil Reserves and Production

	1/1/50 Proved Reserves (000,000 bbls.)	% of Total	Production, June 1950 (000 B/D)	% of Total
U. S.	25,909	33.3%	5,378	51.6%
Canada	1,200	1.5	72	.7
Other North America	853	1.2	194	1.9
Total North America	27,962	36.0%	5,644	54.2%
Venezuela	9,500	12.2%	1,570	15.0%
Other South America	1,048	1.3	264	2.5
Total South America	10.548	13.5%	1,834	17.5%
Total Western Hemisphere	38,510	49.5%	7,478	71.5%
Iran	7,000	9.0%	1,040	10.0%
Kuwait	11,000	14.2		
Iraq	5,250	6.7	135	1.3
Saudi Arabia	9,000	11.6	563	5.4
Other	163	.2	60	.6
Total Middle East	32,413	41.7%	1,798	17.3%
USSR and Satellites	4,920	6.3%	821	7.9%
Other Asia	1,557	2.0	245	2.4
Western Europe	110	.2	40	.4
Africa	202	.3	48	.5
Total East. Hemisphere	39,202	50.5%	2,952	28.5%
Total World	77,712	100.0%	10,430	100.0%

Source: Oil and Gas Journal, and U. S. Bureau of Mines.

TABLE II

Estimated Source of Western European Petroleum Imports, 1950-51

	Crude (000,000 Tons)*	%	Refined Products (000,000 Tons)*	%	Total Imports (000,000 Tons)*	%
U. S.	0.1	---	1.9	9.1	2.0	3.5
Latin America	4.2	11.8	9.7	46.6	13.9	24.7
Middle East	31.2	88.2	9.2	44.3	40.4	71.8
Total	35.5	100.0%	20.8	100.0%	56.3	100.0%

* In metric tons.

Source: Petroleum Press Service.

Reynolds & Co. to Admit Baker, White

Reynolds & Co., 120 Broadway, New York City, members of the New York Stock Exchange, will admit John D. Baker, Jr. and John G. White to partnership on Jan. 1. Mr. White is Manager of the firms Chicago office, 208 South La Salle Street.

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Missouri Brevities

Included in the group of underwriters who on Dec. 6 publicly offered 200,000 shares of 4.50% convertible preferred stock of Texas Eastern Transmission Corp. at par ($100 per share), plus accrued dividends, were the following Missouri bankers: **Newhard, Cook & Co.; Reinholdt & Gardner; Stern Brothers & Co.; Smith, Moore & Co.;** and **Stix & Co.** The offering was oversubscribed.

* * *

Sales of **Western Auto Supply Co.** during November amounted to $12,036,000 compared with $11,-020,000 in November, 1949, an increase of 9.2%. For the 11 months of 1950 sales totaled $139,666,000 compared with $110,965,000 in the like 1949 period, an increase of 25.9%.

* * *

Mid-Continent Airlines, Inc., Kansas City, for the first 10 months of 1950 reported a net income of $296,545, equal to 71 cents per share on the outstanding 415,943 shares of common stock, compared with net profit of $307,788, or 77 cents per share, on 399,253 shares outstanding at the end of the same period last year. The net income for the month of October, 1950 was $52,-721, as against $44,536 for the corresponding period in 1949.

* * *

Clinton Foods Inc., which maintains stock transfer and registrar offices in St. Louis, on Nov. 14 had negotiations under way with regards to increasing its outstanding first mortgage sinking fund 3¾% bonds from $9,500,000 to $16,000,-000 in order to provide additional capital. The stockholders on Jan. 15 will vote upon a proposal to increase the authorized common stock (par $1) from 1,500,000 to 2,000,000 shares in order to provide "substantial funds for capital additions and working capital" and "to provide for conversion of 100,000 shares of unissued and unreserved 4½% cumulative convertible preferred stock." Net earnings after taxes for the nine months ended Sept. 30, 1950, amounted to $2,860,495, equal to $2.28 per common share after preferred stock dividends. This compares with a net of $3,238,938 for the corresponding period of last year, which was equal to $2.60 per share, adjusted to present common shares outstanding after deduction of dividends paid during the first nine months of 1950 on preferred stock. The corporation states that the company's gross sales for the calendar year 1950 will exceed $100,000,000 for the first time in its history.

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes:

Andre de Saint-Phalle, general partner in Andre de Saint-Phalle & Co., will become a limited partner on Jan. 1.

William M. Thomas will retire from partnership in Kalb, Voorhis & Co. on Dec. 31.

Ursula Squier Reimer will withdraw from limited partnership in Charles King & Co. on Dec. 31.

Robert C. Rooke will retire from limited partnership in Merrill Lynch, Pierce, Fenner & Beane on Dec. 31.

Transfer of the Exchange membership of the late Walter S. Crandell to Bernard E. Smith, Jr., will be considered by the Exchange on Dec. 28.

Jacques Coe Admits

Jacques Coe & Co., 39 Broadway, New York City, members of the New York Stock Exchange, will admit Florence Coe to limited partnership on Jan. 2.

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and make the citizen the slave and pawn of the state, which means the slave and the pawn of the man or men who are in control of the state. Through the centuries, the Charlemagnes, the Napoleons, the Bismarcks, the Mussolinis, and the Hitlers have drenched the battlefields of the world with the blood of millions of men in their effort to extinguish the flame of freedom and impose their selfish wills upon their fellow men. Now once again in the same basic role, mankind is faced by the hordes of Russia and her conquered satellite nations, harnessed and chained to the chariot of Stalin and his ruthless gang.

It is at such a time in the history of our nation and of the world that we look down the road ahead. Because of the continued aggression of Russia and her satellites, we have been plunged into a bloody war many thousands of miles from our shores; and our boys are dying in the frozen mountain passes of Korea. One of Stalin's pawns having been defeated, he has apparently sent another pawn into the war; and the ruthless hordes of Communist China are swarming like locusts over Northern Korea. This is a United Nations operation, and we have as our allies most of the free nations of the world. The threat of being physically overrun and enslaved by Communist Russia is just as great as, and in most cases is much more immediate than, the physical threat to our own country; yet, strange to say—and I say this factually and realistically, not bitterly—we have received no more than token assistance from any of our allies. It has been left to our nation almost alone to spend the treasury and to shed the blood of our boys to save the world from the Communist aggressor. Whether we are in the opening rounds of the Third World War, we do not know. The decision lies with a few mad Russians in the Kremlin.

We are now engaged, and possibly for some years shall be engaged, in a great military, industrial, and spiritual mobilization to prevent the ruthless hordes of Russia and her satellites from dominating mankind and destroying us and all that we and all other freedom-loving people hold most sacred. Truly, Christian civilization and humanity are at stake. Our success or our failure will depend basically upon the strength of our economy and the productive capacity of our privately owned and operated industrial system. The future of this country and its very salvation depend upon our strength—not alone our military strength, necessary as that is, but also our economic, financial, industrial, and spiritual strength on the home front. Only such strength can prevent another global war, and only such streng h can enable us to win if such a war is forced upon us. We can never be destroyed from without unless we first disintegrate and deteriorate from within.

Some Features of Our Economy

If our internal economic strength is so important—and it is, for it is the very foundation upon which our military productive effort is founded—let us take a look at some of the features of our economy.

We hear a great deal about inflation in the last few months and how to remedy it. One might almost think that it was something that never existed until the Korean war, and that the tightening of a few economic thumbscrews will eliminate it. Well, I don't think that either of those assumptions or even both taken together cover the situation entirely. I know that if I were really ill—and I think you feel the same way—and I called in a doctor, the first thing I would want him to find out would be what was the matter with me, what was causing the illness, and remove the cause. A little aspirin to lower the temperature and even a little sedative to induce sleep I might be glad to have on the side. But if I thought the doctor either didn't know or wasn't treating the cause of the illness and was merely putting me to sleep with sedatives so I wouldn't know or care about my illness, then I would certainly demand a change of program.

Let us be realistic about this matter. Certainly we have some inflation—a lot of it. Our economists tell us that high prices are not inflation—that they are the evidence of it. Well, our dollar had lost more than 40% of its purchasing power before the Korean war, so all of our inflation didn't come just since the Korean war; and, therefore, it wasn't brought about by an expansion of bank credit since the Korean war.

Now, I have a great respect both for economics and for practical economists. I do not think that all economics is to be found in books. Some of the greatest lessons in economics can be and must be learned by human experience the hard way. Furthermore, I do not believe that economics is an exact science like mathematics. There are many elements, both tangible and intangible, which have an effect upon the economy of the country, including many rather unpredictable human elements of which even individual and mass psychology play a part.

We should determine why and how inflation was brought about. We should do this candidly, factually, and realistically because it is logical to assume that if we could and would remove its causes, then we could arrest its progress if not entirely eliminate its effects.

Inflation was brought about in this country as a matter of deliberate government policy over a period of almost 20 years, with World War II thrown in for good measure. Let us examine some of the things which brought it about. Inflation has been defined as an excess of money over the supply of goods and services available to be purchased. The bidding by the excess money for the short supply of goods or services raises the price of the goods and services; and, to the extent that the price is raised, the purchasing power of the dollar is decreased. I am not sure that this simple explanation is entirely adequate. Now, of course, in a free economy the law of supply and demand acts as an automatic safety valve. If the supply of any commodity is less than the demand, then the price goes up. The higher prices create an inducement and incentive to produce more of that commodity. Under our free enterprise system, this is done until a supply equal to or in excess of the demand is produced—then the price goes down; and, it being less profitable, a lesser quantity of the commodity is produced. There are some hardships in the readjustments, but it is based upon actual human experience and upon basic human psychology.

Government-Made Synthetic Prosperity

Almost 20 years ago during a period of severe depression, those in charge of our government apparently decided that the fundamental law of supply and demand was too slow in functioning; and their economists wrote a prescription for a government-made, synthetic form of prosperity—really inflation—based upon a government-supplied excess of purchasing power and a government-created short supply of commodities. Such a program obviously required money, and lots of it. The government does not produce wealth—it consumes wealth. The only money which the government has is that which it takes from its citizens in the form of taxes, either direct or indirect; and what it borrows, usually from its citizens. So the government embarked upon the policy of taking tax money from those who had something and piling up government indebtedness and spreading the money around in the form of doles, subsidies, parity payments, price support programs, and other such devices among people who would immediately spend it, on the theory that this was the way to create "increased purchasing power." On the other hand, to make goods and services scarce and therefore more expensive, the government paid the farmer not to plant crops and to kill his little pigs, and then, both directly and indirectly, pressed for shorter hours and more pay for labor and thus increased the cost of production. Thereby there was created the doctrine that the way for people to get along in this world was to get more and more for doing less and less. This was man-made, synthetic, artificially inseminated inflation, manufactured to order and found for some years to be politically quite profitable. Of course, it was bound to undermine the strength of our economy, and destroy individual incentive and reward for unusual effort upon which our whole success as a nation was built.

In its early stages, inflation is as stimulating as alcoholic beverages, but after overindulgence, it is just as destructive and brings about as great a headache. The government itself, with its continued peacetime budget deficits, based in a large measure on bank credit, planned, created, and fostered inflation; and then, pointing to the false, unsound, and synthetic prosperity created thereby, boasted that "We planned it that way."

The inflation was, of course, greatly increased by World War II. With production of civilian goods diverted to the war effort and with price and wage controls and rationing, tremendous and abnormal shortages in civilian goods developed. Economic controls of this kind do not cure inflation. They merely hide it by artificially damming up the demand and postponing its fulfilment. At the end of the war, with price and wage controls damming up the demand for civilian goods, the government was in a position to hold both controls steady until civilian goods production could get under way; and when the supply approximately equalled the demand, it could then turn loose a free economy again. If this had been done, the continuing round of price increases might have been avoided or minimized. But the leaders of organized labor did not want to wait for wage increases, and the government yielded to their political pressures. Although labor is the greatest element in the cost of most products, the government, with almost childish innocence, if it was innocence, announced that it would raise the wages of labor but still hold down the price of goods produced by labor. That statement, of course, was both ridiculous and impossible of fulfillment. Right then the dam holding back the flood of postwar inflation was deliberately breached by the government. Since the war, everything has been done to feed the fires of inflation. Price-support programs, extravagant government spending, social welfare projects, all contributed to the inflation, but shone briefly with a misleading glow of artificial and unreal prosperity.

When this government went off the gold standard and repudiated its contract to redeem its obligations in gold—it definitely struck a blow at the stability of the value of our currency and converted it into a government-managed currency with the many hazards incident thereto.

Credit Policies and Inflation

We hear a great deal these days about the contribution made to inflation by credit policies. It is true, of course, that the government easy-money policy to aid in low-cost debt servicing has been a forces of inflation. In saying this, inflation. A flexible rate which would attract the purchase of government debt outside of the banking system would have helped and would now help to minimize the forces of inflation. In say ing this, I am not unmindful of the tremendous problems which the Treasury has been faced with in the management of the tremendous government debt.

It is also quite obvious that if saving fractions of per cents in interest on the public debt materially contributes to inflation and higher prices of commodities and services, then the government itself, which is by far the largest single purchaser of goods and services, may in fact be saving pennies and paying out dollars in higher prices. The same thought might well be considered by labor, which is a large consumer as well as a wage-earner.

We cannot speak of the effect of government credit policies on the integrity of the dollar without commenting on the lending activities of the government and of governmental agencies in making, buying and guaranteeing loans. Possibly the single greatest inflationary factor based upon credit in the whole picture has been the tremendous housing boom devised and promoted by the Federal Government. In this program, leaning on the political crutch of housing for veterans, terms of credit were established, backed by guaranties of the government, which were outrageously unsound in their amount and terms. They will, in a large percentage of the cases, prove to have been a disservice to the veterans themselves. It helped to boost the cost of both the labor and materials which went into the houses, and resulted in prices all out of line with sound values and predicated upon credit terms under government guaranties which no sound credit man would have thought of countenancing. Billions of dollars of government bonds were bought by Federal agencies to provide mortgage lenders with added funds to feed the flames of this inflationary fire. Many banks refused to participate in this program because of its unsoundness. Others went along for the ride and sold the mortgages to the Federal National Mortgage Association. I do not want to ignore the bank participation in this program; but certainly the overwhelming responsibility for this program and its effects upon the economy lies upon the government and its agencies and other lenders, and not upon the banks.

In the consumer credit field, there was also a rapid expansion of credit in which the banks participated. The rapid expansion in this field was in turn greatly stimulated by the housing boom. All these new houses had to be furnished and equipped with electric refrigerators, washing machines, and all of the multitude of appliances which are now a part of a new house. There again, however, many banks refused to go along on the terms which they felt were basically unsound, and in the face of competition on more liberal terms by finance companies, large retailers, other lenders, and some banks, largely adhered to the old Regulation W terms.

Government-Encouraged Spending Spree

As a result of all these and other factors in the postwar years, the government went on and aided, abetted, and encouraged its citizens to go on a reckless spending spree which developed a frenzied business activity which was mistakenly called prosperity. With high taxes bringing in tremendous revenues to the government, we continued to live beyond our means, allowed our tremendous debt to remain outstanding, and sought ways and means to dole out billions of dollars to millions of people. At the same time, with war clouds hanging low over our horizon, we allowed our military strength and equipment to disappear and to rust out.

Then, when Korea came, this was the "status quo." We use a lot of words in economic discussions these days which some of us have a hard time to define. I use the words "status quo" because I have an understandable definition for the words. A colored man who heard the phrase used asked his friend if he knew what it meant. His friend said: "Yes, I thinks I does. As I understand it, it means the hell of a fix we is now in."

Grave Dangers Ahead

I have tried to summarize some of the facts leading to our present economic situation not because I want to indulge in needless criticism at a time when we must all work together in this great emergency for the preservation of our country and the free peoples of the world. I have done so because I sincerely believe that, great as the dangers are which we face from Communist Russia, we also have grave dangers from within which threaten the stability and the effectiveness of our political and economic life. In fact, our ability to meet the dangers from without depends upon our ability to build and maintain a strong, sound domestic economy at home. We must choose the road which we shall take from here on out. If we want to build for permanent stability, we must get down to fundamentals and lay a firm foundation. We must clearly see, know, and eliminate our weaknesses and our mistakes.

I have neither the time nor the adequate knowledge of the facts and probably not the qualifications to discuss our foreign policies. I hope that we are not now embarked upon a long war. I do not know. We all know, however, that we are embarked upon a tremendous program to prepare for full-scale war and that this program will be of long duration. Possibly it will extend beyond your lives and mine. We must gear our economy to both the size and the duration of the program. When I was in college, I was on the track team. The hundred-yard-dash men jumped from their marks with the gun and gave all they had for a little over nine seconds. I ran the two-mile. I couldn't use the sprinters' technique. I think the analogy holds good in the effort which lies ahead of us today.

Our problem is to divert the requisite manpower and produc-

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Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Last week's column was written on Tuesday. In fact most of these columns are written either Monday or Tuesday and you see them Thursday. Well, when the previous column was written, the market had already moved up some seven points from the low and a reaction was indicated.

* * *

The following few days the reaction signs of the previous few days were justified by the spill you saw Friday (15). The industrials closed that day at 224.70 after making a low of 223.19. It is interesting to note that on Tuesday, when the Thursday column was written, the averages ranged from 228 to 231, closing that day at 229.27.

* * *

Subsequently the President made his speech and the market, having already anticipated it by reacting, turned right around and went up. As this is being written the averages are at 232, or about three points under the old highs made the end of November.

* * *

There is considerable belief that the industrials will mirror the action of the rails and also go up into new high ground in the near future. I'm stating this as a popular belief and not as my opinion.

* * *

Currently the market is full of inflation hedgers. After Truman's speech the general belief became widespread that everything was going sky-high and the sooner one got into common stocks, the better. The fact that this was so, was evident in the volume of sales during the next few days. The tape ran late and the phones were ringing madly in all order rooms, not to mention the calls to customers.

* * *

We've had inflation for a long time, though it's been a creeping kind best seen in a long-term graph rather than in day-to-day developments. According to popular belief, it has now assumed the dynamic stage; and perhaps it has. With the government in there, or saying it will be in there, ordering huge amounts of defense material, it is possible that the explosive inflation, most feared, will now occur.

* * *

What is overlooked, however, is that despite the frequent asininity of some of our "bureaucracies," prices will not be permitted to shoot up forever without more definite checks. The market, a mirror, of hopes and fears, is now in the former phase. I don't think, however, that it will continue to mirror the hopes forever. The fears will also have their inning and from what I see at present, it is the latter now to be watched for.

* * *

My considered advice at this stage of the market cycle is to hold on to no more than half your original positions in whatever are your favorite stocks; sell the other half while you have the profits. I'm not taking taxes into consideration. That's something you will have to work out. I'm interested in profits.

[*The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.*]

Chase Guards Display Miniature Xmas Village

A unique Christmas village in miniature, created by the guards of the Chase National Bank in their off-hours, is on public display this week on the main floor of the bank's head office at 18 Pine Street.

Beginning with a modest Christmas tree in the Chase guard department 22 years ago, the village has grown each year until this season it will occupy an area covering more than 65 square feet. The little tree has developed into a forect of pines, with a background of snow-clad hills. It is complete with streets, a beautiful church, a town hall, rows of quaint dwellings, a railroad, a lighting system, a skating pond and a brook with a series of waterfalls.

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tive effort into the military program without needlessly disrupting our essential domestic economy. It will call for sacrifice; it will call for readjustments. Yes, and it will bring about many inequities and even injustices. These must be minimized or eliminated as they become apparent. But the big thing is we must get the job done.

In helping to do this job, the bankers both individually and collectively in their associations want to do and to play their full part. We want to do it voluntarily and wholeheartedly and in the fullest cooperation with the agencies charged with the responsibilities in the various fields. We have been received in that spirit in our contacts with these agencies, and this experience has been and is most gratifying and heartening.

In dealing with these problems, first things should come first. The war in Korea and the preparedness program will call for a large increase in government military expenditures. This seriously aggravates an already serious situation. The most obvious and direct way to offset in part increased governmental expenditures for war purposes is, of course, to decrease by cutting to the bone government nonmilitary expenditures. I am not talking now just about attempting to get more efficiency and less extravagance and waste in government operations. I am talking now about not only stopping cold the further expansion of so-called social welfare programs, socialized medicine, Brannan plans, etc., but also at least postponing and deferring, if not abandoning, many proposed expenditures which many people might consider desirable in more normal times. In this category would come, among others, many subsidies, price support programs, public works, river and harbor improvements, public housing, reclamation projects, the buying of mortgages—yes, and even the extension of veteran benefits to physically sound veterans.

I do not wish to argue about any particular one of these things. There are many others which could be added to this list. Each of such curtailments would be unpopular with various elements of our citizens, and they are politically hard to accomplish for that reason. A similar curtailment should be made in public improvements at all lower levels of government, both to curtail the inflationary effect of such expenditures and to channel the labor and materials and productive effort into war work. This is the type of action which will strike at the very heart of the problem and offset increased war spending.

It will take some time for the war program to get under way and be substantially felt, and the economy should not be stagnated precipitately while waiting for the military spending to get under way.

As is usually the case, the fundamental cause of inflation is to be found in the money and credit policies of the government. The fact that the Federal budget has been unbalanced for 18 of the last 20 years is a major factor in the present situation. Every effort must be made to pay as we go, although the size of the military expenditures may make this impossible of achievement in the immediate future.

If the administrative and legislative action taken, as has largely been the case so far, is directed primarily to efforts to divert or impede the progress of inflation rather than toward stopping it at its source, past experience would indicate that the fight will not be effectively won.

In the field of credit controls, as we all know, Regulations W and X have already been imposed on two types of credit. There is evidence that they are already taking hold. It is probably too soon to evaluate properly their effect. Particularly because of commitments made before Regulation X became effective, it will be some months before the effect of it will be fully felt. Undoubtedly many hardships have been created by these regulations. These should be remedied to the extent that it is possible to do so.

Trends in Bank Credit

There has been much study and much discussion on the recent trends of bank commercial credit. Most of the increase this year has been since the commencement of the Korean war. We should be sure that our figures on that subject are realistic before we make them the basis of restrictive action. We all know that many corporations and individuals bought abnormally during the months following the start of the war. They had the natural desire to supply themselves with the goods and materials needed in their business and personal lives. To the extent that they did future buying and used credit for that purpose, their future buying will level off and their loans will be reduced. It is also well known that the peak of commercial bank borrowing is always in the fall, and I have no doubt that a substantial part of the increase represents the normal seasonal peak and will automatically taper off. It should also be borne in mind that, in using comparative figures, with higher commodity prices and higher labor costs, the amount of credit required to handle the same volume is materially higher than it was when these prices were lower. This is spectacularly true in the case of some agricultural products.

We should not forget that it is the purpose of the commercial bank loans rather than merely the size or volume of such loans which determines their inflationary effect. Increased production of commodities is probably the most direct deflationary force in the economy. If loans are made for the purpose of financing essential production, then the increased production more than offsets the inflationary effect of the loan; and the whole transaction taken together is actually deflationary. Mere volume of loans is, therefore, not the sole criterion.

The political aspects of some of these things frequently change quite rapidly. Only a few short months ago, many people in Washington were castigating the banks because they claimed the banks were not lending enough money to enough people. They were advocating new government-sponsored agencies to get out more money in loans to great numbers of people whom the bankers felt were not good credit risks. Now, suddenly, some of these same people infer that too liberal lending by banks brought about the inflation. Those who fathered this "inflation child" cannot now disown their own offspring by trying to place it in the arms of the bankers and crying, "Here, this is your baby."

Private banking and the credit furnished by it are a vital and constructive part of our economy. The banks of this country have a big, a necessary, and a vital job to do in financing the preparedness program and in supporting a sound domestic economy. The banks are ready, able and willing to do the job. They were never in a better position to do it, and they have the "know how" based upon their splendid performance in that field during the last war. Their usefulness in this vital function must not be impaired or stymied by any premature or unwarranted curtailment or impairment of their ability to so function. The fact is that a large volume of bank credit will be required to finance the production program. The officers of this association have twice in the last few months reminded the bankers of their opportunities, their duties, and their responsibilities. Restraint and self-control are qualities which will be found in the vast majority of the bankers in this country.

Going too far and too fast in the imposition of restrictive controls may tend to stagnate the economy before the war production gets under way enough to take up the slack. It would be prudent to observe the trend of the economy and the effect of the action already taken before further action is taken. I hope and believe that this is the view of a majority of those charged with these responsibilities.

Against Increase in Bank Reserves

I do not believe that an increase in reserve requirements of member banks is a good method of credit control. It is not a precision instrument in the hands of a skilled technician. It is more like an axe in the hands of an unskilled workman. It strikes at all member banks alike without any reference to or consideration of the credit policy or the loan volume of the individual banks involved or the needs of the communities in which the banks are located. Furthermore, it does not touch nonbank lenders. It is a rough-and-ready method which should be invoked only with great reluctance and under the pressure of very great emergency. It is, in fact, a socialistic step which appropriates the normal earnings on billions of dollars by taking these earnings away from the banks and putting them ultimately in the coffers of the Treasury of the United States. When a governing power takes the earnings of a citizen's assets, it very nearly approaches the expropriation of the property itself. It is in form, a credit control or regulation. It is in substance, if not in law, the taking of property without compensation. Even the old-line socialists preached that the way for government to take over private business and private property was to take away the profits from private business and private property, and then both would automatically fall into the lap of the government.

We bankers are greatly concerned over the inflation that exists in this country, and we are deeply interested in the preservation of the integrity and purchasing power of the American dollar. We are the custodians of other people's money and property. That money is not impersonal. It is human money. It represents the "bloody, sweat and tears" of millions of people. It is the product of their brain and their brawn, their thrift and their labor, their economy and their industry, and their intelligence. It represents their protection against want in their declining years; it represents the support and education of their children, the care of the family when the

are ill, and their comfort and happiness in a thousand ways.

We cannot stand by and see these funds dissipated by inflation, devaluation and deficit financing which reduce the purchasing power of the dollar and thereby confiscate this accumulated capital.

We know that you cannot borrow and spend your way to sound prosperity. If you borrow and spend more than you take in, you are mortgaging your future; and if you keep it up long enough, you will become bankrupt. The same is true of a nation.

We know by experience that neither men nor nations can violate the simple but very fundamental facts of business and economic life without paying a staggering price in terms of human misery.

As citizens of this country, we must see that sound fiscal policies are adopted by our governments, both local and national. As bankers, we will do our part in so conducting the business of banking in this country that we contribute the maximum amount to the national defense program and the domestic economy by financing essential production and at the same time refrain from making loans for unproductive purposes which needlessly lead to further credit expansion.

Sound Principles Can Prevent Inflation

Inflation cannot be prevented merely by the imposition of government credit and other controls. The job can be done only if all elements of our economy — the government, labor, business, and the population at large—settle down to and live by sound business principles.

This country has within it all the elements necessary to meet the challenge which we face today. We have great wealth (as well as a great debt). We have a great industrial plant with tremendous productive capacity. We have great agricultural production capable, with improved techniques, of greatly increased production. We have a people who have the productive "know how" at the management, research and skilled workmen levels. If we tighten our belts and get to work, we can lick this or any other job. It was our productive capacity which was the deciding factor in the winning of two world wars in this century.

But at this time let us not forget that the great progress of our country was made under the life-giving air of personal freedom and individual opportunity. Productivity of the individual is the key to the American high standard of living. This productivity grew and flowered and bore fruit under the American system of private initiative, incentive and opportunity. It was not built under any socialistic system of either a government-owned or a government-controlled economy.

The story of the growth of this great country from its small and modest beginning to its present stature is a thrilling and unparalleled chapter in the history of mankind. It embodies the spanning of the continent from the Atlantic to the Pacific, with the sturdy pioneers crossing barren plains, parched deserts, and towering snow-clad mountains with dogged determination and unbounded courage. It tells of the inventive ingenuity of the American people who, because of their ambition, their initiative, their industry, and their thrift, developed a productive capacity and thereby secured a standard of living never before equaled or even dreamed of in the history of this old world.

Basically, men work both mentally and physically for one of two reasons or a combination of both. The first reason they work is to get something they want badly enough to cause them to make the effort — in the rational belief, based upon their observation and experience, that they can get it if they go after it, and can keep and enjoy it when they get it. They work for a reward—they work when they have an incentive. That is the American system. It is the basic and fundamental reason for our achievements. The other reason why men work is fear—either fear that they would lack some of the things they want if they didn't work, or fear of what a political master, as in Russia, might physically do to them if they did not work when they were ordered to do so. This latter labor is slave labor—it has no ambition, no spirit, no imagination, no incentive. It is inefficient and is unproductive both mentally and physically. The American system is based upon free individualism and freedom of opportunity. If you want more than you have and are willing to pay the price in brain and brawn and thrift and intelligence and industry, there is no limit to what you can produce and what you can have. Then there is one step further that our American system goes. If you secure property or capital as the result of your legitimate efforts, you may keep and enjoy as a property right for yourself and your family that which you have acquired through your efforts; and the right to own and enjoy property is one of the most basic human rights. That kind of life and opportunity came to be known as the American way of life. It has opened new frontiers, both geographically and scientifically. It dug the gold out of the California mountains, and it broke the virgin sod of the prairie states. The opportunities in this great country of ours for every man, woman, and child to set his goal and then have the right in his own way and by the use and development of his own talents and abilities to achieve his ambition is the fundamental reason for our success, both as individuals and as a nation. This freedom and these opportunities of the individual are what made this nation great. They must be preserved as a priceless heritage because the same things that made this nation great are the only things that can keep us great.

We are now engaged in a great war mobilization program, which will involve huge military expenditures. The Congress is granting to the President large emergency powers over our economy, to enable the government to make quick decisions and take quick action. The liberty-loving, self-governing citizens of this country are for patriotic reasons suffering their liberties to be restricted and their already heavy burdens to be increased. They are doing so on the representation that the powers granted to the government will not be used unless absolutely necessary and that the powers so granted will be suspended as soon as possible. Now is the time, if ever in the history of this nation, for an alert citizenry to stand by as minute men solemnly resolved that wartime controls over the economy and the wartime regimentation of the people shall be terminated at the earliest possible moment.

We must not allow the present emergency to become the occasion for losing our American heritage of a free political and economic life. We must not lose at home the very freedoms which we are fighting to preserve abroad.

We must rededicate ourselves to the fundamental policies and practices which made America great. We must revitalize in ourselves the American pioneer spirit which has been in a conflict here in our own land with another philosophy. The American spirit says: How much can I produce, how far can I travel, how fast can I go, how well can I do my job, how much can I surpass former marks? The other philosophy says: How little must I produce, what is the least distance that I must travel, how slow can I go, how much can I get for doing how little work, and how inefficient can I be and still hold my job? The latter philosophy is one of stagnation and defeat—the former is one of achievement and success. The one says the world (meaning the producers) owes me a living; and they had better give it to me or by weight of numbers I'll appropriate the product of their energy. The other says I am a free-born American; I am vibrant with life and ambition; I live in the land of the greatest individual freedom and opportunity that this old world knows or has ever known. I am willing to pay the price in brain and brawn to achieve success. The right to live this kind of a life is a part of my birthright, achieved at great sacrifice and handed down with great courage by my pioneer forefathers; and by all that is holy, I propose to pass that birthright down to my sons.

Here in American today on many fronts and in many ways the roll of the manhood of this country on this subject is being called. If we believe in American ideals, if we have the instincts, the character, and the hardihood of American pioneers, we will defend those ideals whenever they are put in jeopardy, whenever the time, wherever the place, and whatever the manner. At this critical hour in the history of our country, the time has come for us as American citizens to stand up and be counted

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Continued from page 2

The Security I Like Best

for such franchise renewals, approved.

With 56% of the capital represented by long-term debt, and 17% by preferred stock, the common stock enjoys a good leverage factor. With higher taxes a certainty this leverage will prove of greater importance to the investor.

Recently the common stock was split two for one. Assuming a continuance of the present annual dividend rate of $1.25, the yield is in excess of 6%. Earnings for 1950 were $1.81 per share, so that the payout was 69%. Presuming a corporation tax rate of 50%, it is estimated present dividend policy can and will be maintained.

HENRY J. LOW
Security Analyst,
Bruns, Nordeman & Co.,
Members, New York Stock Exchange

International Telephone and Telegraph Corp.

With the recent dividend declaration of 15 cents per share and 5% in stock, *International Telephone and Telegraph Corporation* will resume dividend disbursement in January, 1951 after a lapse of 19 years. The company is passing on to its long neglected stockholders cash dividends about to be received from the controlled American Cable and Radio Corp. and its Capehart-Farnsworth subsidiary. The latter was acquired in May, 1949 and reported earnings of $1,000,000 for the first ten months of 1950.

Henry J. Low

International Telephone and Telegraph has gradually changed the scope of its business from an organization formerly primarily engaged in management of telephone operating properties, located abroad, to manufacturing activities including those of two large domestic electronic equipment producers. One of its major wholly-owned manufacturing subsidiaries, Federal Telephone and Radio Corp., producer of telephone and radio equipment for independent telephone companies operating in the Western Hemisphere, is beginning to show real earning power after four years of unprofitable operations. After incurring a loss of about $1,200,000 for six months ended June 30, 1950, Federal Telephone has been operating profitably since July of this year. The improvement in Federal's earnings is presently gaining momentum and with continuation of healthy conditions indicated prospects for 1951 appear favorable. The outlook for increased government business is very encouraging. Backlog of contracts is in excess of $100,000,000 or more than double the amount a year ago. Production on some of these orders will run into 1952. Federal Telephone is today in much better position for large scale production than it was at the outbreak of World War II with the bulk of its one time scattered manufacturing units concentrated in its plant at Clifton, N. J.

Of equal importance to domestic manufacturing operations is Capehart-Farnsworth Corp. which designed and marketed a completely new line of television receivers and photograph-radio instruments with current demand for its products greatly exceeding production. The subsidiary's turnover is currently running at an annual rate of $50,000,000. While curtailment of some 20% or more in the production of television sets and radio receivers is anticipated for 1951, this cutback should be more than made up by expected equipment orders for the U. S. Signal Corps. During World War II, Farnsworth established a reputation of being a very good low cost producer. It has excellent engineering facilities available and is presently carrying on research and development for the armed services.

Foreign manufacturing activities are conducted by International Standard Electric Corp. which controls factories throughout Europe, South America, Australia and China. International Standard Electric, a subsidiary of Federal Telephone and Radio Corp., supplies electronic equipment to telephone and power companies and acts as United States export division of the International Telephone System. It also furnishes management and advisory services to some foreign manufacturing concerns together with research and engineering development results from its laboratories. This year's earnings should benefit from marked improvement in operations and remittances to the parent company resulting from greater transferability of dividends and service fees.

International Telephone and Telegraph Corporation also owns companies operating telephone and long distance radio telephone and radio telegraph services principally throughout Latin America. Its modern research and development laboratories both in the United States and Europe, are constantly utilizing scientific talent in their endeavor to assure the company a leading position in the telephone communications equipment, electronics, radio and television fields.

Net income for nine months ended Sept. 30, 1950 amounted to $1.34 per share, compared with 45 cents per share reported in the same period last year. 1950 earnings are estimated between $1.75 and $2 per share compared with 1949 net income of only 72 cents per share and $1.07 per share in 1948. Based on continued earnings improvement throughout 1951 and barring any unforeseen developments, net income after an estimated increase in corporate taxes to 55% compared with a current tax rate of 45% is expected around $2 per share and possibly somewhat better. The company appears relatively sheltered from the impact of an excess profit tax because of its large capital investment.

International Telephone and Telegraph is in sound financial and working capital position with current assets of $182,640,000 on Dec. 31, 1949, including cash and government securities of $42,271,000, compared with $66,882,000 current liabilities. Book value on Dec. 31, 1949 stood at $44.79 per share. At a current price of around 13 the shares are selling 20 points below their 1945 high and only 5½ points above the 1949 low.

Smith Nominated by San Francisco Exch.

SAN FRANCISCO, Calif.—Richard P. Gross, Chairman of the Nominating Committee of the San Francisco Stock Exchange, has announced that Ferdinand C. Smith of Merrill Lynch, Pierce, Fenner & Beane had been nominated as Chairman of the Board of Governors. Nominations for members of the Board of Governors for two years terms are: Calvin E. Duncan of Calvin E. Duncan & Co., and Marco F. Hellman of J. Barth & Co.

Ferdinand C. Smith

The Annual Meeting and election of officers of the Exchange will be held on Wednesday, Jan. 10, 1951.

Webster-Chicago Stock Offered at $14.25 a Sh.

F. Eberstadt & Co. Inc. and Shillinglaw, Bolger & Co. today (Dec. 21) are offering publicly 103,158 shares of common stock of Webster-Chicago Corp. at $14.25 per share. Proceeds of the sale will be added to the company's general funds and applied as necessary to finance a new plant program, with the balance going to working capital.

The company is a leading manufacturer of automatic record changers and magnetic wire recorders. At the present time most of the record changers being manufactured by the company are the "three-speed-three-size" type which are sold under its own name directly to the public and to radio-television-phonograph manufacturers. Its principal customers include Andrea Radio Corp., Canadian Marconi Co., Ltd., Du Mont (Allen B.) Laboratories, Inc., Hoffman Radio Corp., Magnavox Co., Packard-Bell Co., Scott Radio Laboratories, Inc., and Wells-Gardner & Co.

The company has recently commenced production of its new magnetic tape recorder. It also manufactures portable phonographs and silicon steel laminations for incorporation into electrical and electronic devices. The company presently has two plants located in Chicago.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Dec. 24	100.8	101.3	102.7	94.5
Equivalent to—					
Steel ingots and castings (net tons)	Dec. 24	1,944,200	1,953,800	1,980,800	1,742,100
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output — daily average (bbls. of 42 gallons each)	Dec. 9	5,755,170	5,825,220	5,910,700	4,979,300
Crude runs to stills — daily average (bbls.)	Dec. 9	‡5,869,000	6,034,000	6,018,000	5,234,000
Gasoline output (bbls.)	Dec. 9	19,188,000	19,917,000	19,466,000	18,219,000
Kerosene output (bbls.)	Dec. 9	2,171,000	*2,581,000	2,220,000	2,068,000
Gas, oil, and distillate fuel oil output (bbls.)	Dec. 9	8,297,000	8,613,000	8,466,000	7,037,000
Residual fuel oil output (bbls.)	Dec. 9	8,611,000	8,521,000	8,636,000	7,853,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Dec. 9	109,647,000	109,509,000	105,465,000	106,146,000
Kerosene (bbls.) at	Dec. 9	25,047,000	*26,491,000	29,003,000	23,397,000
Gas, oil, and distillate fuel oil (bbls.) at	Dec. 9	80,964,000	84,891,000	86,721,000	85,926,000
Residual fuel oil (bbls.) at	Dec. 9	43,307,000	45,221,000	45,140,000	64,476,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Dec. 9	766,743	739,922	839,612	668,825
Revenue freight received from connections (number of cars)	Dec. 9	674,981	595,261	703,746	590,997
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Dec. 14	$136,510,000	$484,875,000	$214,949,000	$119,434,000
Private construction	Dec. 14	77,641,000	110,105,000	118,639,000	75,379,000
Public construction	Dec. 14	58,869,000	374,770,000	96,310,000	44,055,000
State and municipal	Dec. 14	52,587,000	109,488,000	72,963,000	38,860,000
Federal	Dec. 14	6,282,000	265,282,000	23,345,000	5,195,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Dec. 9	11,420,000	*9,325,000	10,985,000	9,605,000
Pennsylvania anthracite (tons)	Dec. 9	751,000	847,000	787,000	636,000
Beehive coke (tons)	Dec. 9	134,800	*79,400	153,600	12,600
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	Dec. 9	554	444	342	542
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Dec. 16	6,985,421	6,908,631	6,728,334	5,996,606
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET INC.	Dec. 14	150	170	170	161
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Dec. 12	4.131c	4.131c	3.837c	3.705c
Pig iron (per gross ton)	Dec. 12	$52.69	$51.94	$49.69	$45.88
Scrap steel (per gross ton)	Dec. 12	$45.08	$40.75	$40.75	$27.25
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Dec. 13	24.200c	24.200c	24.200c	18.200c
Export refinery at	Dec. 13	24.425c	24.425c	24.425c	18.425c
Straits tin (New York) at	Dec. 13	139.000c	142.000c	151.000c	79.000c
Lead (New York) at	Dec. 13	17.000c	17.000c	17.000c	12.000c
Lead (St. Louis) at	Dec. 13	16.800c	16.800c	16.800c	11.800c
Zinc (East St. Louis) at	Dec. 13	17.500c	17.500c	17.500c	9.750c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Dec. 19	101.32	101.33	101.66	104.47
Average corporate	Dec. 19	115.43	115.43	115.43	116.02
Aaa	Dec. 19	119.61	119.61	119.82	121.46
Aa	Dec. 19	118.60	118.40	118.80	119.82
A	Dec. 19	114.85	114.66	114.66	115.43
Baa	Dec. 19	109.24	109.24	109.24	107.80
Railroad Group	Dec. 19	111.81	111.62	111.81	110.88
Public Utilities Group	Dec. 19	115.82	115.63	115.82	117.20
Industrials Group	Dec. 19	119.00	119.00	119.00	120.02
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Dec. 19	2.40	2.40	2.37	2.17
Average corporate	Dec. 19	2.88	2.88	2.88	2.85
Aaa	Dec. 19	2.67	2.67	2.66	2.58
Aa	Dec. 19	2.72	2.73	2.71	2.66
A	Dec. 19	2.91	2.92	2.92	2.88
Baa	Dec. 19	3.21	3.21	3.21	3.29
Railroad Group	Dec. 19	3.07	3.08	3.07	3.12
Public Utilities Group	Dec. 19	2.86	2.87	2.86	2.79
Industrials Group	Dec. 19	2.70	2.70	2.70	2.65
MOODY'S COMMODITY INDEX	Dec. 19	505.2	487.1	488.5	346.9
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Dec. 9	243.978	295.064	199.278	203.493
Production (tons)	Dec. 9	243,297	232,728	233,487	210,286
Percentage of activity	Dec. 9	106	101	101	96
Unfilled orders (tons) at	Dec. 9	721,122	722,046	739,323	421,332
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1926-36 AVERAGE=100	Dec. 15	145.1	142.4	139.2	124.9
STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE—SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—					
Number of orders	Dec. 2	35,209	27,555	32,430	24,869
Number of shares—Customers' total sales	Dec. 2	1,076,459	855,784	956,170	744,891
Dollar value	Dec. 2	$44,167,628	$36,194,964	$41,629,903	$29,448,934
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Dec. 2	34,892	29,994	28,175	28,973
Customers' short sales	Dec. 2	311	278	382	247
Customers' other sales	Dec. 2	34,581	29,716	27,793	28,726
Number of shares—Customers' total sales	Dec. 2	1,062,907	892,102	808,505	819,060
Customers' short sales	Dec. 2	12,667	10,965	14,012	9,101
Customers' other sales	Dec. 2	1,050,240	881,137	794,493	809,959
Dollar value	Dec. 2	$42,311,304	$34,602,286	$32,513,266	$27,623,674
Round-lot sales by dealers—					
Number of shares—Total sales	Dec. 2	405,170	295,630	286,510	287,700
Short sales	Dec. 2	------	------	------	------
Other sales	Dec. 2	405,170	295,630	286,510	287,700
Round-lot purchases by dealers—					
Number of shares	Dec. 2	354,780	276,170	358,880	268,420
WHOLESALE PRICES NEW SERIES—U. S. DEPT. OF LABOR—1926=100:					
All commodities	Dec. 12	173.4	*172.7	171.0	151.2
Farm products	Dec. 12	186.5	187.5	183.1	154.4
Grains	Dec. 12	179.2	175.0	171.6	161.9
Livestock	Dec. 12	226.0	225.5	223.0	185.3
Foods	Dec. 12	180.5	180.0	176.5	156.2
Meats	Dec. 12	252.3	245.5	240.7	207.9
All commodities other than farm and foods	Dec. 12	164.2	163.4	162.6	145.4
Textile products	Dec. 12	167.3	*166.7	165.4	138.3
Fuel and lighting materials	Dec. 12	134.9	134.8	135.4	130.6
Metals and metal products	Dec. 12	185.1	183.3	180.1	167.2
Building Materials	Dec. 12	221.0	*220.8	217.8	190.0
Chemical and allied products	Dec. 12	138.3	136.7	135.2	115.5

*Revised figure. ‡Includes 446,000 barrels of foreign crude runs. (Dec. 2 revised to 477,000 barrels.)

	Latest Month	Previous Month	Year Ago
ALUMINUM (BUREAU OF MINES):			
Production of primary aluminum in the U. S. (in short tons)—Month of Sept.	59,449	63,006	49,742
Stock of aluminum (short tons) end of Sept.	9,692	10,516	53,597
AMERICAN IRON AND STEEL INSTITUTE:			
Steel ingots and steel for castings produced (net tons)—Month of Nov.	8,007,028	*8,740,095	4,223,129
Shipments of steel products, including alloy and stainless (net tons) Month of Oct.	6,503,531	6,145,354	935,037
AMERICAN TRUCKING ASSOCIATION— Month of October:			
Number of motor carriers reporting	286	*286	*286
Volume of freight transporter (tons)	4,515,214	*4,345,830	3,523,795
BUSINESS INVENTORIES, DEPT. OF COMMERCE NEW SERIES — Month of October (millions of dollars):			
Manufacturing	$31,300	$30,300	$28,900
Wholesale	10,200	9,800	9,100
Retail	17,300	15,900	14,500
Total	$58,800	$56,000	$52,500
CASH DIVIDENDS — PUBLICLY REPORTED BY U. S. CORPORATIONS — U. S. DEPARTMENT OF COMMERCE — Month of September (000's omitted)	$1,152,200	$212,900	$721,100
COAL OUTPUT (BUREAU OF MINES)—Month of November:			
Bituminous coal and lignite (net tons)	44,950,000	51,035,000	*45,037,000
Pennsylvania anthracite (net tons)	3,391,000	*4,313,000	4,657,000
Beehive coke (net tons)	625,700	*630,300	35,400
COKE (BUREAU OF MINES)—Month of Oct.:			
Production (net tons)	6,636,594	*6,258,676	1,739,400
Oven coke (net tons)	6,006,270	*5,671,223	1,731,400
Beehive coke (net tons)	630,324	*587,453	8,000
Oven coke stocks at end of month (net tons)	984,118	*855,133	2,119,800
COPPER INSTITUTE — For Month of Nov.:			
Copper production in U. S. A.—			
Crude (tons of 2,000 pounds)	89,910	*90,542	80,598
Refined (tons of 2,000 pounds)	101,410	110,435	92,602
Deliveries to customers—			
In U. S. A. (tons of 2,000 pounds)	113,715	121,806	117,133
Refined copper stocks at end of period (tons of 2,000 pounds)	51,805	56,945	139,199
CONSUMER CREDIT OUTSTANDING—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM — Estimated short-term credit in millions as of Sept. 30:			
Total consumer credit	$21,453	$20,949	$16,803
Instalment credit	13,329	13,007	9,899
Sale credit	7,848	7,613	5,438
Automobile	4,210	4,107	2,876
Other	3,638	3,506	2,562
Loan credit	5,481	5,394	4,461
Noninstalment credit	8,124	7,942	6,904
Charge accounts	3,737	3,636	3,123
Single payments loans	3,342	3,263	2,808
Service credit	1,045	1,043	973
FREIGHT CAR OUTPUT—DOMESTIC (AMERICAN RAILWAY CAR INSTITUTE)—Month of November:			
Deliveries (number of cars)	5,791	5,501	4,376
Backlog of orders at end of month (number of cars)	126,870	122,148	14,146
INTERSTATE COMMERCE COMMISSION—			
Index of Railway Employment at middle of November (1935-39 average=100)	125.5	122.4	108.2
MANUFACTURER'S INVENTORIES & SALES (DEPT. OF COMMERCE) NEW SERIES— Month of September (millions of dollars):			
Inventories:			
Durable	$13,923	*$13,725	$13,691
Nondurable	16,470	*15,894	15,426
Total	$30,393	*$29,619	$29,117
Sales	21,500	*22,613	17,960
METAL OUTPUT (BUREAU OF MINES) — Month of October:			
Mine production of recoverable metals in the United States:			
Copper (in short tons)	77,912	*76,744	†62,729
Gold (in fine ounces)	221,525	*228,075	†165,982
Lead (in short tons)	35,356	*35,084	†34,159
Silver (in fine ounces)	3,535,230	*3,610,034	†2,889,579
Zinc (in short tons)	54,728	*54,572	†49,433
NEW YORK STOCK EXCHANGE—As of Nov. 30 (000's omitted):			
Member firms carrying margin accounts—			
Total of customers' net debit balances	$1,360,366	$1,351,480	$813,106
Credit extended to customers	127,265	123,341	62,546
Cash on hand and in banks in U. S.	370,333	361,264	301,115
Total of customers' free credit balances	795,755	771,484	396,116
Market value of listed shares	89,505,642	88,524,810	73,174,833
Market value of listed bonds	118,507,393	118,416,553	132,444,956
Member borrowings on U. S. Govt. issues	220,168	195,965	115,257
Member borrowings on other collateral	703,301	687,679	465,070
PRICES RECEIVED BY FARMERS — INDEX NUMBER — U. S. DEPT. OF AGRICULTURE August, 1909-July, 1914=100 — As of September 15:			
Unadjusted—			
All farm products	272	207	247
Crops	243	239	212
Food grain	221	224	211
Feed grain and hay	194	193	166
Tobacco	428	399	393
Cotton	336	311	250
Fruit	217	200	160
Truck crops	126	164	188
Oil-bearing crops	303	293	227
Livestock and products	298	292	279
Meat animals	372	369	319
Dairy products	248	240	251
Poultry and eggs	196	191	236
UNITED STATES EXPORTS AND IMPORTS—BUREAU OF CENSUS — Month of Oct. (000's omitted):			
Exports	$904,000	$910,800	$853,000
Imports	921,000	857,400	557,102

*Revised. †Monthly average 1949.

Continued from page 11

Railroad Problems, Management and Securities

commodities, obviously, because they escape regulation. There are no more general cargo coastwise boats. They are bulk carriers, and they make bulk rates and they are exempt from regulation.

Now, we could carry as much in a trainload as you can carry on most cargo ships, certainly on two trainloads. We are competing with the water carrier. If we were allowed to make bulk agreed rates it would give us a chance to compete with the water carrier. It could very easily be done, simply by putting the umbrella off of us and on to them.

Now as to gasoline pipelines: This big carrier sprung up and developed into a tremendous business. Why? Because they made bulk rates. We cannot compete with them.

As late as four months ago the ICC said we cannot make a bulk rate on gasoline from Salt Lake City to Seattle, because if you did, you would discriminate against the man who wants to ship one carload. It is all right for the pipeline to do it. Yet, do you think the pipeline takes a 100-gallon order? No. They take around 200-million-gallon orders. There again, we are in a position where we cannot make bulk rates, but they can.

I don't say that they are not efficient, but the Union Pacific, which is regarded as a smart operator, offered to put in a bulk rate as cheap as the pipeline and the ICC turned them down.

The third category—the private carriers is my next point: The so-called commodity clause of Part I, which affects railroads—Section 1 of Part I—**the railroads are prohibited from being at the same time shipper and carrier.**

We cannot carry what we make. I can't, as Chairman of a railroad down South, build a distillery down there and ship whiskey to New York over the railroad. But the private industrial people can ship their products from the South to New York in their own trucks and take back other commodities. There is no regulation of any kind by the ICC.

In other words—the private carrier is allowed to go into the transportation business and become shipper and carrier, and we are prohibited from doing that.

The commodity clause only applies to Part I. Part I I call the section of the Act which has the least votes. It does not apply to Part II or Part III, the motor carriers, nor the water carriers, and not the contract carriers or the private carriers.

Now, there again, the resolution is very simple. Simply put the umbrella of the commodity clause over everybody under the transportation business, or take it away from us. There are a lot of railroads I know who could build an industrial empire if they were allowed to do that.

The purpose, of course, of the commodities' clause, was to prevent the shipping public from exploitation. But the Act was passed in 1887. The railroads are not in that position now, and they won't be again.

The "Short and Long Haul" Clause

Another one of our problems is the so-called "Fourth" section. Part I of the Interstate Commerce Act applies to railroads, as I have said. The "Fourth" section says "we cannot charge less for a haul longer than the short haul over the same route in the same direction." In other words, the New York Central cannot charge more to carry freight from New York to Rochester than it does from New York to Buffalo. That was at one time put in to protect the small town and hamlet, as we call it, which was noncompetitive.

For instance, let us say Atlanta, Ga., which is not on water, could be protected against St. Louis or perhaps Savannah. So, we can't charge more for a short haul than we do for a long haul.

But, there again, the trucks can, and the water carriers can. There again, my solution is simple. Remove the "Fourth" section or apply it to the other means of transportation.

In any event, the situation has so changed in 63 years that it no longer applies.

You have today all kinds of private barge companies. They are not regulated. They are certainly competing with the little fellow. They don't worry about "Fourth" section.

Those are the problems as I see them, so far as freight is concerned. To me, they are not insurmountable. The thing that annoys me is this: Most of the ads that you see in the paper are fighting the battle against subsidies for the competitors. You have not heard me mention that once. Frankly, the only time the man in the street or on the road is interested in a big truck is when he cannot pass the truck on the highway. That is his only interest. He doesn't care whether he is operating on a subsidy or not. The only time I ever hear any voters complain about the trucks is when they find they cannot pass them along the road or when it may have taken a half hour to pass them.

Now the story about how much money we pay in taxes, and how much the little trucks pay comes up from time to time. And also we hear about the water carriers receiving the benefit of $2 billion spent on the Ohio River. What happens? We get more roads, bigger roads, and more money is spent on the Mississippi Valley, and more money is spent on the Ohio River, and even for "Oyster Bay," so that they can use a ship to compete with us. So, whether we are right or wrong, the effects of our efforts for 15 years to try to get the public interested in eliminating those things is nil. When I say the public, I mean the voters. Every time you hear about the cost of a certain airport being too much they start building another airport. I have listened to it time and time again. I have tried to talk against it. I find you are talking against a stone wall. Our appeal up to now has little appeal to the voter.

On the other hand, if Brooklyn plays with eight men and the Giants play with nine, the voters would remove Governor Dewey the next day, unless the situation was corrected. I believe that if you take these four points and present them, with no axe to grind against the other man, you will get somewhere. He is a fine man. All we want is to have the same rules that he has. We don't want to put him out of business. We want to operate under the same rules as the motor carriers, the exempt carriers, the contract carriers and the water carriers. We don't want anything else. I think that kind of positive approach is necessary. I don't mean today, or tomorrow. As I said in the beginning, we have a crisis now that overcomes all of our little dinky problems such as the ones I have mentioned. But I would like, before I am too old, to raise my voice as I am doing today, to help create a permanent solution to the railroad problems so as to prevent, if possible, these tremendous peaks and valleys in railroad securities which leave the railroad problem continually with us.

Why Discriminate Against Rails?

I don't know whether it appeals to you, but I do think this approach to the thing would appeal to you as a voter and as a politician a lot more than telling you constantly that the roads are built by the taxpayers and used by the trucks. I think, if we simply said, "More power to trucks, more power to water carriers. Only give us the same rules. We want nine men, the same as they have, to play this game, and then let the chips fall where they may."

I say that because, apparently, in this country all you have to do is to be the underdog to be elected to office, and certainly in this case I think we are the underdogs.

The next big problem is passenger-train operation. You understand that since 1936 the ICC has required us to separate our passenger revenues and our freight revenues so as to end up with the results for each separately.

In 1948, under that bookkeeping procedure, the passenger business—and you understand the passenger business includes mail and express—had a deficit of $559 million. In that year our net income was $699 million. So, obviously, even under these diversities which I have mentioned that I would like to remove, the freight business makes money.

The Passenger Business

Now, what can you do about the passenger business? The ICC has asked us to do something about it. Local state commissions have charge, generally speaking, of the abandonments that the railroads should make. And 90% of the requests are turned down. I think so long as the ICC is our regulating body, Congress should give them the power to overcome and by-pass all local and state laws and to decide whether to abandon local operations or not. What do the local commissions do when they don't want to vote against you? They table it. There are some applications down in the South that have been tabled for years. There is no way to get them out. Because, if you got them out, you could appeal them in the courts, but there is no way of forcing them to give a decision and appeals take years.

The second part of the passenger deficit is mail. We asked for 100% increase in mail pay and they gave us 25% and then they gave us another 25% after that, and they may give us another increase this year. But I think they should give us the whole 100%.

Now, as you all know, if you ship parcels it is cheaper to ship by parcel post than by railway express. It is up to the post office to raise the rates on parcel post, up to railway express rates. Or it is up to the railroads to sell the railway express to the government and say here, "Take it, and keep it." It is foolish to try to compete with U. S. Government parcel post. The railway express business, a private venture, is trying to compete with the government with higher rates. The Postmaster General admits the rates are too low. As a matter of fact, I think he recommended that they be raised.

So much for that. Now we come to the more touchy subject—management. Frankly, I have tried to give you some of the problems as I see them, with a solution as to their correction, rather than a long harangue about subsidizing competition. I know personally most of the top executives of all the Class I railroads in this country. As railroad operators, some have developed, and perhaps in their early time, rightly so, the theory that experience is intelligence.

Well, I think that Webster defines experience as the actual living of the events. There is no question about that.

Now, the power of understanding, and the ability to take the facts and reach a goal, is something else again, in my opinion, that is intelligence.

The railroad problem has never been solved. Therefore, I say, there must be a space in between experience and the intelligence, so that the two do not mean the same thing.

The Management Factor

Now as to the effect of management: I refer not only to management's effect on these problems but to the very direct effect on the value of railroad securities. You can read good statistical services and look until you are blue in the face, and they will not tell you anything about the management. They will give you the results perfectly and accurately. **But management has more direct effect on the price of securities than** any one other factor, in my opinion.

Now, I have said many times that no railroad has credit unless it is paying a dividend. Every manager in the world can find an excuse for not paying dividends. But he hasn't got credit.

My corollary to that is no railroad has good management which hasn't got credit.

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National Crisis Policies

planes and further large reserves they can put in action in 90 days. But they are not a great sea power. Their long range air power is limited. These congeries of over 30 different races will some day go to pieces. But in the meantime they are cannon fodder.

Facing this menace on the Eastern front there are about 100,000,000 non-Communist island peoples in Japan, Formosa, the Philippines and Korea. Aside from Korea, which I discuss later, they have probably 12 effective combat divisions with practically no tanks, air or navy.

Facing this land mass on the South are the Indies and the Middle East of about 600,000,000 non-communist peoples. There are about 150,000,000 non-Communist peoples in North Africa and Latin America. Except Turkey and Formosa, these 850,000,000 people have little military force which they would or could spare. But they could contribute vital economic and moral strength.

Facing this menace on the Continental European front there are about 160,000,000 non-Communist people who, excluding Spain, have less than 20 combat divisions now available, few tanks and little air or naval force. But their will to defend themselves is feeble and their disunities are manifest.

Of importance in military weight at this moment there is the British Commonwealth of 150,000,000 people, with probably 30 combat divisions under arms, a superior navy, considerable air force and a few tanks.

And there are 150,000,000 people in the United States preparing 3,500,000 men into a gigantic army, air force and navy, with about 30 equipped combat divisions.

Some Military Conclusions

If we weigh these military forces as they stand today we must arrive at certain basic conclusions.

(a) We must face the fact that to commit the sparse ground forces of the non-Communist nations into a land war against this Communist land mass would be a war without victory, a war without a successful political terminal. Any attempt to make war on the Communist mass by land invasion, through the quicksands of China, India or Western Europe is sheer folly. That would be the graveyard of millions of American boys and would end in the exhaustion of this Gibraltar of Western Civilization.

Even were Western Europe armed far beyond any contemplated program, we could never reach Moscow. The Germans failed with a magnificent army of 240 combat divisions and with powerful air and tank forces.

(b) Equally, we Americans alone with sea and air power can so control the Atlantic and Pacific Oceans that there can be no possible invasion of the Western Hemisphere by Communist armies. They can no more reach Washington in force than we can reach Moscow.

(c) In this military connection we must realize the fact that the Atomic Bomb is a far less dominant weapon than it was once thought to be.

(d) It is obvious that the United Nations have been defeated in Korea by the aggression of Communist China. There are no adequate forces in the world to repel them.

Even if we sacrifice more American boys to hold a bridgehead, we know we shall not succeed at the present time in the mission given to us by the 50 members of the United Nations.

Our Economic Strength

We may explore the American situation still further. The 150,000,000 American people are already economically strained by government expenditures. It must not be forgotten that we are carrying huge burdens from previous wars including obligations to veterans and $260 billion of bond and currency issues from those wars. In the fiscal year 1952, federal and local expenditures are likely to exceed $90 billion. That is more than our total savings. We must finance huge deficits by further government issues. Inflation is already moving but we might with stern measures avoid the economic disintegration of such a load for a very few years. If we continued long on this road the one center of resistance in the world will collapse in economic disaster.

The Diplomatic Front

We may appraise the diplomatic front. Our great hope was in the United Nations. We have witnessed the sabotage of its primary purpose of preserving peace. It has been, down to last week, a forum for continuous smear on our honor, our ideals and our purposes.

It did stiffen up against raw aggression last July in Korea. But in its call for that military action, America had to furnish over 90% of the foreign forces and suffer over 90% of their dead and injured. That effort now comes at least to a measurable military defeat by the aggression of Communist hordes.

Whether or not the United Nations is to have a moral defeat and suffer the collapse of its whole moral stature now depends on whether it has the courage to—

(a) Declare Communist China an aggressor.

(b) Refuse admission of this aggressor to its membership.

(c) Demand that each member of the United Nations cease to furnish or transport supplies of any kind to Communist China that can aid in their military operations. Such a course honestly carried out by the non-Communist nations is not economic sanctions nor does it require military

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National Crisis Policies

actions. But it would constitute a great pressure for rectitude.

(d) For once, pass a resolution condemning the infamous lies about the United States.

Any course short of this is appeasement.

What Should Our Policies Be?

And now I come to where we should go from here.

Two months ago I suggested a tentative alternate policy for the United States. It received a favorable reception from the large majority of our press.

Since then the crisis in the world has become even more acute. It is clear that the United Nations are defeated in Korea. It is also clear that other non-Communist nations did not or could not substantially respond to the U.N. call for arms to Korea. It is clear the U.N. cannot mobilize substantial military forces. It is clear Continental Europe has not in the three years of our aid developed that unity of purpose, and that will power necessary for its own defense. It is clear that our British friends are flirting with appeasement of Communist China. It is clear that the United Nations is in a fog of debate and indecision on whether to appease or not to appease.

In expansion of my proposals of two months ago, I now propose certain principles and action.

First. The foundation of our national policies must be to preserve for the world this Western Hemisphere Gibraltar of Western Civilization.

Second. We can, without any measure of doubt, with our own air and naval forces, hold the Atlantic and Pacific Oceans with one frontier on Britain (if she wishes to cooperate); the other, on Japan, Formosa and the Philippines. We can hold open the sea lanes for our supplies.

Third. To do this we should arm our air and naval forces to the teeth. We have little need for large armies unless we are going to Europe or China. We should give Japan her independence and aid her in arms to defend herself. We should stiffen the defenses of our Pacific frontier in Formosa and the Philippines. We can protect this island chain by our sea and air power.

Fourth. We could, after initial outlays for more air and navy equipment, greatly reduce our expenditures, balance our budget and free ourselves from the dangers of inflation and economic degeneration.

Fifth. If we toil and sacrifice as the President has asked, we can continue aid to the hungry of the world. Out of our productivity, we can give aid to other nations when they have already displayed spirit and strength in defense against Communism. We have the stern duty to work and sacrifice to do it.

Sixth. We should have none of appeasement. Morally there is no appeasement of Communism. Appeasement contains more dangers than Dunkirks. We want no more Teherans and Yaltas. We can retrieve a battle but we cannot retrieve an appeasement. We are grateful that President Truman has denounced such a course.

Seventh. We are not blind to the need to preserve Western Civilization on the Continent of Europe or to our cultural and religious ties to it. But the prime obligation of defense of Western Continental Europe rests upon the nations of Europe. The test is whether they have the spiritual force, the will and acceptance of unity among them by their own volition. America cannot create their spiritual forces; we cannot buy them with money.

You can search all the history of mankind and there is no parallel to the effort and sacrifice we have made to elevate their spirit and to achieve their unity. To this date it has failed. Their minds are confused with fears and disunities. They exclude Spain, although she has the will and means to fight. They higgle with Germany, although she is their frontier. They vacillate in the belief that they are in little danger and the hope to avoid again being a theatre of war. And Karl Marx has added to their confusions. They still suffer from battle shock. Their highly organized Communist parties are a menace we must not ignore.

In both World War I and World War II (including West Germany) they placed more than 250 trained and equipped combat divisions in the field within sixty days with strong air and naval forces. They have more manpower and more productive capacity today than in either one of those wars. To warrant our further aid they should show they have spiritual strength and unity to avail themselves of their own resources. But it must be far more than pacts, conferences, paper promises and declarations. Today it must express itself in organized and equipped combat divisions of such huge numbers as would erect a sure dam against the red flood. And that before we land another man or another dollar on their shores. Otherwise we shall be inviting another Korea. That would be a calamity to Europe as well as to us.

Our policy in this quarter of the world should be confined to a period of watchful waiting.

National Unity

There is a proper urge in all Americans for unity in troubled times. But unless unity is based on right principles and right action it is a vain and dangerous thing.

Honest difference of views and honest debate are not disunity. They are the vital process of policy making among free men.

A right, a specific, an open foreign policy must be formulated which gives confidence in our own security before we can get behind it.

Conclusions

American eyes should now be opened to these hordes in Asia.

These policies I have suggested would be no isolationism. Indeed they are the opposite. They would avoid rash involvement of our military forces in hopeless campaigns. They do not relieve us of working to our utmost. They would preserve a stronghold of Christian civilization in the world against any peradventure.

With the policies I have outlined, even without Europe, Americans have no reason for hysteria or loss of confidence in our security or our future. And in American security rests the future security of all mankind.

It would be an uneasy peace but we could carry it on with these polices indefinitely even if the Communists should attack our lines on the seas.

We can hope that in time the millions of other non-Communist peoples of the world will rise to their dangers.

We can hope that sometime the evils of Communism and the disintegration of their racial controls will bring their own disintegration will bring their own disintegration. It is a remote consolation, but twice before in world history Asiatic hordes have swept over a large part of the world and their racial dissentions dissolved their empires.

Our people have braved difficult and distressing situations in these three centuries we have been on this continent. We have faced our troubles without fear and we have not failed.

We shall not fail in this, even if we have to stand alone. But we need to realize the whole truth and grid ourselves for troubled times. The truth is ugly. We face it with prayer and courage.

COMING EVENTS

In Investment Field

Dec. 21, 1950 (St. Louis, Mo.)

Mississippi Valley Group of IBA Christmas Party at the Park Plaza Hotel.

Jan. 16, 1951

National Association of Securities Dealers, Inc., Meeting of Governors and Election of Officers.

Feb. 4, 1951 (Houston, Tex.)

Board of Governors of Association of Stock Exchange Firms winter meeting.

Feb. 6-7, 1951 (San Antonio, Tex.)

Board of Governors of Association of Stock Exchange Firms winter meeting.

Feb. 8-9, 1951 (Dallas, Tex.)

Board of Governors of Association of Stock Exchange Firms winter meeting.

Feb. 21, 1951 (Philadelphia, Pa.)

Investment Traders Association of Philadelphia Winter Banquet.

May 30, 1951 (Dallas, Tex.)

Dallas Bond Club annual Memorial Day outing.

June 11-14, 1951 (Jasper Park, Canada)

Investment Dealers Association of Canada Convention at Jasper Park Lodge.

June 15, 1951 (Philadelphia, Pa.)

Investment Traders Association of Philadelphia Summer Outing and Dinner at the Manufacturers Golf and Country Club, Oreland, Pa.

Oct. 12, 1951 (Dallas, Tex.)

Dallas Bond Club annual Columbus Day outing.

Nov. 25-30, 1951 (Hollywood Beach, Fla.)

Investment Bankers Association Annual Convention at the Hollywood Beach Hotel.

H. Cassel & Co. Admits

Hugh Cassel will become a limited partner in H. Cassel & Co., 61 Broadway, New York City, members of the New York Stock Exchange, on Jan. 1. Vera Cassel will retire from limited partnership in the firm on the same date.

F. E. du Pont to Admit

Francis I. du Pont & Co., 1 Wall Street, New York City, members of the New York Stock Exchange, on Jan. 1 will admit the following to limited partnership in the firm: E. Paul du Pont, Jr., Mary W. Pell, Frances de Forest Stewart, Mary B. Gale and Dudley Blossom.

Dunscombe & Co. Forming

Dunscombe & Co., members of the New York Stock Exchange, will be formed as of Jan. 15 with offices at 111 Broadway, New York City. Partners will be Rogers Dunscombe, the firm's Exchange member, Philip Weisblum and Arthur A. Burnett. Mr. Dunscombe has been active as an individual floor broker.

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Television—Its Investment Aspects

requirements we could and would have produced 8 million sets in 1951. Because of the war situation, however, the very top production possibility now appears to be 5 million units. It is quite possible, too, that we will not get the necessary raw materials to make even that many. TV sets contain a long list of critical materials, including steel, copper, rubber, cobalt, plastics and nickel. Your guess is as good as mine as to the availability over the next year of these products and the components employing them which are needed in TV manufacture.

While we know that between rearmament work and TV production we will have a very high volume of business, profits for the industry very probably will suffer next year because of the costs of conversion. In the changeover to military production there are temporary losses in efficiency and in the utilization of capacity which are next to impossible to overcome.

There are also war created factors affecting the demand for TV receivers in the immediate future which are just as difficult to appraise as some of those clouding the production outlook. The two principal ones are regulation "W" and higher income taxes. Both cut into consumer buying power. While neither seems to have hit the TV market too hard as yet, there is no gainsaying the fact that they may in 1951. As you know, a 10% excise tax was levied on TV for the first time last Nov. 1. The industry also had to raise prices following the outbreak of war in Korea. At Admiral we were gratified by the very negligible effect these additions to prices have had on sales.

All companies, of course, are not affected in the same degree by curbs on consumer purchasing power. High brand acceptance, good distribution and strong selling can provide powerful offsets for individual companies. Later, when I talk about Admiral, you'll see that I think we rank very high in these respects.

Another enigma for most television producers is wrapped up in the possibilities for an excess profits tax. Because of the industry's tremendous growth in the last three years it may be very hard hit if an excess profits tax becomes law which does not allow a fair base for growth companies.

Color TV

You undoubtedly know that after extensive public hearings and months of deliberation, the FCC dropped a bombshell on the industry on September 1 when it tentatively decided on the CBS color system. Despite objections from everybody in the industry except CBS, the Commission made its tentative decision final early in October.

The order is now being contested in the courts and CBS has been enjoined from starting color telecasts while the Federal District Court in Chicago reaches a decision. Litigants on both sides of the case have publicly stated the case will be carried to the Supreme Court, no matter which way the lower court rules.

Admiral is not a party in the suit but we are tremendously interested in the outcome. We believe that the Columbia system is not the answer to color TV. It has many inherent limitations as far as future development goes because it is a mechanical rather than an electronic system. In addition, CBS color telecasts cannot be received even in black and white on the 10 million sets now in service unless present set owners buy expensive adapters.

I could go into a great deal of detail on the deficiencies of the CBS system. I think the most forceful way to summarize my views about it, however, is to tell you that in 1949 Frank Stanton, President of Columbia, offered to sell Admiral its color system lock, stock and barrel for $3,000,000. We turned that offer down flatly because we did not then think it was the answer to color for TV and we have seen nothing since to change our opinion.

On Dec. 5 last, in Washington, the Radio Corporation of America demonstrated its all-electronic system of color telecasting. In the opinion of practically every observer the results achieved were outstanding. Most important, the demonstration proved conclusively that we can have color telecasting which can be received in excellent black and white on today's 10 million receivers without so much as the turn of a screw.

I will not venture to predict what the courts will do with this case. It is my hope, however, that they will finally decide that the FCC has erred in establishing CBS as the sole color system and will allow RCA and the other developers of an electronic system to go into color telecasting.

This will leave the final decision to the public. I haven't a shadow of a doubt that if the public is given such an opportunity to decide it will flatly reject the Columbia system and the necessary receiving apparatus, which is almost a Rube Goldberg in appearance, then, when an all-electronic system is perfected, those families who want color will be able to buy the necessary converters while those who do not will continue to get a black and white picture from color telecasts without any change whatsoever.

That about covers my views on the general factors affecting TV as an industry. To summarize, I think the long-term outlook for the market is as sound as the dollar used to be. For the immediate future there are a number of uncertainties which probably will combine to give the industry a poorer year in 1951 than the all-time banner year we had in 1950. In this regard, I suspect that TV is not alone. However, you analysts who keep abreast of conditions in many industries are more qualified than I to judge that.

Lehman Group Offers Macy Com. Shares

Lehman Brothers, heading a group of underwriters, offered Tuesday afternoon 117,392 shares of common stock of R. H. Macy & Co., Inc. at $32 per share. The offering was quickly oversubscribed.

The common stock was sold for the accounts of several trusts of which members of the Straus Family are beneficiaries and for certain members of the Straus family. Jack I. Straus, President of the corporation, is not selling any of his individual holdings and the corporation will not receive any of the proceeds from the sale. The purpose of the sellers is to permit greater diversification of investments. After the sale, the selling stockholders will continue to own directly an aggregate of 88,899 shares of the corporation's common stock and 19,296 shares of the corporation's Series A preferred stock, $100 par.

Francis B. Thorne

Francis B. Thorne, member of the New York Stock Exchange, and senior partner in F. B. Thorne & Co., New York City, died at his home at the age of 58.

Securities Now in Registration

● INDICATES ADDITIONS SINCE PREVIOUS ISSUE

● **Aeolian-Skinner Organ Co., Inc., Boston, Mass.**
Dec. 11 (letter of notification) 34,099 shares of 4% cumulative preferred stock to be offered to stockholders only. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—For working capital. **Office**—215 Sidney St., Boston, Mass.

Aeronca Mfg. Corp., Middletown, Ohio
Oct. 2 (letter of notification) $50,000 of 4% convertible promissory notes and 50,000 shares of common stock (latter to be reserved for conversion of notes on basis of 1 share for each $1 unit of notes). **Price**—$2.12½ per $1 unit of notes. **Underwriter**—Greene & Ladd, Dayton, O. **Proceeds**—For working capital. **Office**—Municipal Airport, Middletown, O.

● **Alabama Life & Casualty Insurance Co., Birmingham, Ala.**
Dec. 11 (letter of notification) 10,000 shares of capital stock. **Price**—$20 per share. **Underwriter**—None. **Proceeds**—For working capital. **Office** — 718-720 Empire Bldg., Birmingham, Ala.

Alhambra Gold Mines Corp., Hollywood, Calif.
Nov. 1 filed 80,000 shares of common stock. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—For further development of mine and for working capital.

American Cladmetals Co., Carnegie, Pa.
Oct. 19 (letter of notification) 62,000 shares of common stock (par $1). **Price**—At market (about $1.12½ per share). **Underwriter**—Hemphill, Noyes, Graham, Parsons & Co., New York. **Proceeds**—To Charles R. Anthony, Chairman of the Board, who is the selling stockholder.

American Gas & Electric Co.
Nov. 9 filed 116,662 shares of common stock (par $10), to be offered in exchange for common stock of Central Ohio Power & Light Co. on the basis of 72/100ths of a share of American Gas common stock for each Central Ohio common share. **Underwriter**—None.

Ampal-American Palestine Trading Corp., N. Y.
Dec. 8 filed $5,000,000 of 15-year 4% sinking fund bonds, series A, due 1966. **Underwriter**—None. **Proceeds**—To develop and expand agricultural, industrial and commercial enterprises in Israel.

● **Apple Concentrates, Inc., West Concord, Mass.**
Dec. 7 (letter of notification) 5,700 shares of common stock (par $1). **Price**—$10 per share. **Underwriter**—None. **Proceeds**—For working capital.

● **Associated Fund Trust, St. Louis, Mo.**
Dec. 20 filed 15,000 full-paid $100 units and 35,000 instalment $100 units. **Price**—At face value. **Underwriter**—Associated Funds, Inc., St. Louis, Mo. **Business**—Open-end investment trust.

Atlantic Oil Corp., Tulsa, Okla.
Nov. 13 (letter of notification) 48,046 shares of capital stock. **Price**—At par ($5 per share). **Underwriter**—Continental Corp., Tulsa, Okla. **Proceeds**—To purchase oil and gas properties.

● **Automatic Baseball Equipment Corp., Baltimore, Md.**
Dec. 7 (letter of notification) 300,000 shares of common stock (par 25 cents), of which 275,000 shares are to be sold for the account of the company and 25,000 shares for the account of the underwriter. **Price**—$1 per share. **Underwriter**—Mitchell-Hoffman & Co., Inc., Baltimore, Md. **Proceeds**—To promote sale of Foster pitching arms with automatic feeds for use in baseball batting ranges. **Office**—2439 N. Charles St., Baltimore 18, Md.

● **Berry Motors, Inc., Corinth, Miss.**
Dec. 12 (letter of notification) 7,500 shares of common stock (no par). **Price**—At the market (approximately $11.50 to $12.50 per share). **Underwriter**—Meeks, Reddoch & Co., Memphis, Tenn. **Proceeds**—To R. Howard Webster, the selling stockholder.

Birmingham (Ala.) Fire Insurance Co.
Oct. 17 (letter of notification) 10,000 shares of common stock to be offered to present common stockholders. **Price**—At par ($10 per share). **Underwriter**—None. **Proceeds**—To enlarge insurance business. **Office**—221 No. 21st St., Birmingham, Ala.

Brass & Copper Sales Co., St. Louis, Mo.
Dec. 4 (letter of notification) 1,559 shares of common stock (par $10) to be offered to common stockholders at rate of one share of each eight shares held. **Price**—$37.50 per share. **Underwriter**—None. **Proceeds**—For working capital. Office—2817 Laclede Avenue, St. Louis 3, Missouri.

● **Capital Bakers, Inc., Harrisburg, Pa.**
Dec. 18 (letter of notification) $300,000 of general debenture 4% bonds, of which $30,000 are to be issued each year to employees. **Price**—In units of $50 each. **Underwriter**—None. **Proceeds**—To retire outstanding debt. **Office**—58 North 13th St., Harrisburg, Pa.

● **Carolina Natural Gas Corp., Charlotte, N. C.**
Dec. 8 (letter of notification) 25,000 shares of common stock. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—For prosecution of application for certificate of public convenience and necessity before FPC. **Office**—Wilder Bldg., Charlotte 1, N. C.

Central Illinois Public Service Corp.
Nov. 13 filed 267,600 shares of common stock (par $10) to be offered initially to common stockholders at rate of one share for each 10 shares held. **Price**—To be supplied by amendment. **Underwriters**—The First Boston Corp. and Blyth & Co., Inc. **Proceeds**—For construction program. Temporarily postponed.

Central Soya Co., Inc., Fort Wayne, Ind.
Dec. 4 (letter of notification) 1,600 shares of capital stock (no par). **Price**—To be offered at market (approximately $36 per share). **Underwriter**—Swift, Henke & Co., Chicago, Ill. **Proceeds**—To Harold W. McMillen, the selling stockholder.

Chattanooga Gas Co.
Nov. 24 filed 650,000 shares of common stock (par $1). including 500,000 shares acquired by Equitable Securities Corp. from Southern Natural Gas Co., and 150,000 shares from the utility company pursuant to plan of recapitalization. **Price**—To be supplied by amendment. **Underwriter**—Clement A. Evans & Co., Atlanta, Ga.

● **Chicago Bridge & Iron Co., Chicago, Ill.**
Dec. 12 (letter of notification) 8,746 shares of common stock (par $20). **Price**—$34.30 per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—1305 West 105th St., Chicago 43, Ill.

Circle Wire & Cable Corp.
Nov. 27 filed 200,000 shares of common stock (par $5). **Price**—$15 per share. **Underwriter**—Van Alstyne Noel Corp., New York. **Proceeds**—To four selling stockholders. **Offering**—Expected after Jan. 1, 1951.

● **Clark Controller Co.**
Dec. 20 filed 50,000 shares of convertible preferred stock (par $30). **Price**—To be filed by amendment. **Underwriters**—Goldman, Sachs & Co., New York, and Fulton, Reid & Co., Cleveland, O. **Proceeds**—To retire notes and for purchase and remodeling of factory building. **Business**—Manufacturer of industrial electric controls.

Colonial Acceptance Corp.
Nov. 20 filed $1,500,000 junior subordinated sinking fund debentures due Dec. 1, 1958, and 30,000 shares of common stock (par $1), to be offered in units of $500 of debentures and 10 shares of stock. **Price**—$500 per unit. **Underwriters**—Straus & Blosser; and Sills, Fairman & Harris; both of Chicago, Ill. **Proceeds**—To reduce bank loans.

Commonwealth Edison Co., Chicago, Ill.
Dec. 13 filed $49,000,000 of sinking fund debentures due April 1, 2001. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co.; Morgan Stanley & Co. **Proceeds**—Toward cost of $370,-000,000 four-year construction program.

Community Finance Corp., N. Y. City
Nov. 15 (letter of notification) 20,000 shares of common stock (no par) and 4,000 shares of 7% non-cumulative preferred stock (par $10). Price — $12.50 per share. **Underwriter** — None. **Proceeds** — For working capital. Office—2340 Eighth Ave., New York 27, N. Y.

Consumers Cooperative Association, Kansas City, Mo.
Nov. 14 filed $1,000,000 of 5-year 3½% certificates of indebtedness and $2,000,000 of 10-year 4½% certificates of indebtedness to be offered to members of the Association and "to others." **Underwriter**—None. **Proceeds**—To be added to general funds. **Business**—Farmers' cooperative wholesale purchasing association of the federated type. **Price**—At 100 issuable in multiples of 100. Statement effective Dec. 7.

Continental Engineering Co., Carrizozo, N. M.
Nov. 29 (letter of notification) 490,000 shares of common stock. **Price**—At par (50 cents per share). **Underwriter**—None. **Proceeds**—For working capital. **Address**—P. O. Box 56, Carrizozo, N. M.

Cosmopolitan Hotel Co. of Dallas, Tex.
Dec. 13 filed $1,500,000 of 2% debentures due 1965. **Price**—At face value. **Underwriter**—None. **Proceeds**—To purchase debentures of Statler Dallas Co., Inc., which company will construct Dallas hotel. **Business**—A non-profit corporation under sponsorship of Dallas Chamber of Commerce to secure construction of hotel.

Courtland Manufacturing Co.
Dec. 11 (letter of notification) 12,000 shares of 6% cumulative preferred stock. **Price**—At par ($25 per share). **Underwriter**—Heimerdinger & Straus, New York. **Proceeds**—For working capital. **Office**—6th and Jefferson Streets, Camden, N. J. Now being offered.

Culver Corp., Chicago, Ill.
Oct. 23 filed 132,182 shares of common stock (par $5), of which 4,818 shares are to be offered to stockholders and 127,364 shares to public. **Price** — To stockholders at $5 per share and to public at $6.25 per share. **Underwriter**—None. **Proceeds**—For investments.

Daily Reporter, Inc., Tuscon, Ariz.
Nov. 22 (letter of notification) 1,500 shares of preferred stock. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—For equipment and operating expenses.

Dansker Realty & Securities Corp., N. Y. City
Nov. 20 filed 300,000 shares of 6% cumulative convertible preferred stock (par $5) and 300,000 shares of class B common stock (par 35 cents) to be offered in units of one preferred and one class B share "on a best-efforts basis." An additional 25,000 shares of each class of stock are to be issued to underwriters as additional compensation for resale to public. There will be reserved for conversion of the preferred stock 1,300,000 shares of class B common stock. **Price**—$6 per unit. **Underwriter**—Dansker Bros. & Co., Inc., New York. **Proceeds** — For working capital. **Offering**—Expected after the first of the year.

● **Desert Products, Inc., Las Vegas, Nev.**
Dec. 8 (letter of notification) 300,000 shares of common capital stock. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—To purchase machinery and equipment.

● **Douglas & Lomason Co., Detroit, Mich.**
Dec. 6 (letter of notification) 6,000 shares of common stock (par $2). **Price**—$14.25 per share. **Underwriter**—None. **Proceeds**—To Thomas S. Hough, the selling stockholder. **Office**—5836 Lincoln, Detroit 8, Mich.

Dow Chemical Co. (1/3/51)
Nov. 10 filed 200,000 shares of common stock (par $15), of which a maximum of 125,000 shares will be offered to common stockholders of record Dec. 21, 1950 at rate of 1 share for each 50 shares held, the remaining 75,000 shares to be offered for subscription by employees up to 10% of their annual wages on a payroll deduction plan. Both offerings will terminate on Jan. 29, 1951 and are expected to be made on Jan. 3, 1951. **Price**—$57.50 per share. **Underwriter**—None. **Proceeds**—For working capital.

Duggan's Distillers Products Corp.
Oct. 27 (letter of notification) 340,000 shares of common stock (par 10c). **Price**—75 cents per share. **Underwriter**—Olds & Co., Jersey City, N. J. **Proceeds**—To pay balance of purchase price for building ($20,000) and for working capital.

● **Earnshaw-Tharp-Christensen Corp., Reno, Nev.**
Dec. 7 (letter of notification) not to exceed 100,000 shares of class A common capital stock. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—To purchase supplies and equipment. **Address**—P.O. Box 1192, Reno, Nev.

● **Edenfruit Products Co., Poplar Grove, Ill.**
Dec. 1 (letter of notification) 8,684 shares of class A stock (par $10) and 21,710 shares of common stock (par $1). **Price**—At par. **Underwriter**—None. **Proceeds**—To complete sewage disposal plant and build warehouse.

Eureka Telephone Co., Corydon, Ind.
Nov. 27 (letter of notification) 1,700 shares of common stock to be offered to company's telephone subscribers. **Price**—At par ($25 per share). **Underwriter**—None. **Proceeds**—For cash equity to secure loan allocation by Rural Electrification Administration.

Fedders-Quigan Corp.
June 21 filed 103,402 shares of series A cumulative convertible preferred stock (par $50) to be offered to common stockholders on basis of one preferred share for each 12 shares held. **Price**—To be filed by amendment, along with dividend rate. **Underwriter**—Smith, Barney & Co., New York. **Proceeds**—To pay promissory note, to complete purchase of a new plant at El Monte, Calif., and for additional working capital. Statement may be withdrawn. It was reported on Oct. 5 that company has completed purchase of El Monte plant.

Felters Co., Boston, Mass.
Nov. 14 (letter of notification) 1,750 shares of common stock (par $10). **Price** — At market (estimated at not more than $10 per share). **Underwriter** — H. C. Wainwright & Co., Boston, Mass. **Proceeds**—To two selling stockholders. **Office**—210 South St., Boston, Mass.

● **First Investors Corp., New York**
Dec. 14 filed $3,000,000 DW plans (periodic payment plans with insurance protection), $7,000,000 DWN Plans (period payment plans without insurance protection) and $2,000,000 DWP Plans (single payment plans). **Proceeds**—For accumulation of shares of Wellington Fund, Inc. **Sponsor**—First Investors Corp.

General Racing Corp., Providence, R. I.
Dec. 6 (letter of notification) 12,000 shares of common stock and 10,000 shares of preferred stock. **Price**—For common, $2 per share and for preferred, $10 per share. **Underwriter**—None. **Proceeds**—For operating stables, buying, selling, trading, etc. in racing horses. **Office**—818 Industrial Trust Building, Providence, R. I.

● **Gold Star Mining & Milling Corp., Missoula, Mont.**
Nov. 24 (letter of notification) 1,000,000 shares of non-assessable common stock of which not in excess 100,000 shares will be issued to employees as part payment of wages. **Price**—15 cents per share. **Underwriter**—None. **Proceeds**—To develop mine. **Office** — 51 Higgins Bldg., Missoula, Mont.

Greenwich Gas Co., Greenwich, Conn.
Sept. 1 (letter of notification) 8,000 shares of $1.50 preferred stock (no par) and 9,777 shares of common stock (no par), to be offered first to stockholders. **Price**—Of

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preferred, $25 per share, and common $10 per share. **Underwriter**—F. L. Putnam & Co., Boston, Mass. **Proceeds**—To retire bank loan and for working capital. **Financing Postponed**—On Dec. 1 company stated a new financing plan is being prepared and will be submitted to stockholders.

Hamilton Fire Insurance Co., Philadelphia
Oct. 2 (letter of notification) 64,000 shares of capital stock (par $5). **Price**—$4.50 per share. **Underwriter**—Jenks, Kirkland & Co., Philadelphia, Pa. **Proceeds**—To increase capital and surplus in order to offer additional lines of insurance, including automobile casualty and liability coverage. Financing may be abandoned.

Hammond Lumber Co., San Francisco, Calif.
Nov. 17 (letter of notification) 7,000 shares of capital stock (par $20). **Price**—$42.50 per share. **Underwriter**—None. **Proceeds** — For working capital. **Office** — 417 Montgomery St., San Francisco, Calif.

● **Hanley Hydrojet, Inc., Prospect, Ohio**
Dec. 11 (letter of notification) 500 shares of 5% non-convertible preferred stock. **Price**—At par ($100 per share). **Underwriter** — None. **Proceeds** — For working capital.

Hearn Department Stores, Inc., N. Y. City
Nov. 17 filed 40,000 shares of 5% cumulative convertible preferred stock, to be offered for subscription by common stockholders on the basis of one preferred share for each seven shares of common stock held on Dec. 18, 1950; rights to expire Jan. 10. **Price** — At par ($25 per share). **Underwriter**—None. **Proceeds** — From this offering, plus a $2,000,000 term bank loan, to be used to repay bank loans, for improvements to properties and for working capital.

● **Holeproof Hosiery Co., Milwaukee, Wis.**
Dec. 7 (letter of notification) 20,000 shares of common stock (par $5). **Price**—$14 per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—404 West Fowler St., Milwaukee, Wis.

Hooper Telephone Co., Hooper, Neb.
Aug. 18 (letter of notification) $30,000 of 3¾% bonds due 1970. **Price**—In excess of 102%. **Underwriter**—Wachob Bender Corp., Omaha, Neb. **Proceeds**—To retire temporary loans.

Infra Roast, Inc., Boston, Mass.
Nov. 3 (letter of notification) 207,000 shares of common stock to be initially offered to stockholders; unsubscribed shares to public. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—To finance the purchase of 100 automatic coffee-roasting machines. **Office**—84 State St., Boston, Mass.

● **Jamesflex Manufacturing Co., Inc., Phoenix, Ariz.**
Dec. 8 (letter of notification) 2,000 shares of capital stock. **Price**—At par ($5 per share). **Underwriter**—None. **Proceeds**—For operating expenses.

Kaye-Halbert Corp.
Oct. 6 by amendment filed 120,000 shares of class A convertible common stock (par $1). **Price**—$5 per share. **Underwriters**—Sills, Fairman & Harris, Inc., Chicago, Ill. **Proceeds**—To pay off promissory notes and for working capital.

Lincoln Service Corp., Washington, D. C.
Dec. 12 filed 80,000 shares of $1.50 cumulative preferred stock (no par—with stated value of $22.50 per share), with warrants attached entitling the holder to purchase common stock at $12 per share in the ratio of two common shares for each five preferred shares held. Of said 80,000 shares, 46,950 shares are to be offered in exchange for outstanding 7% prior preferred stock (par $50) and 6% participating preferred stock (par $25) on the following basis: (1) For each 7% prior preferred share two new preferred shares; and (2) For each 6% participating preferred share one share of new preferred stock—plus in each case accrued and unpaid dividends and redemption premiums, in cash. The remaining 33,050 shares are to be publicly offered. **Price**—$25 per share. **Underwriter**—Johnston, Lemon & Co., Washington, D. C. **Proceeds**—For working capital and to redeem unexchanged old preferred stock.

Lytton's, Henry C. Lytton & Co.
Nov. 17 filed 83,000 shares of common stock (par $1). **Price** — To be supplied by amendment. **Underwriter**—Blunt Ellis & Simmons, Chicago, Ill. **Proceeds**—To the executors of the estate of Henry C. Lytton. Statement to be withdrawn.

Magnolia Lead & Oil Co., Salt Lake City, Utah.
Dec. 6 (letter of notification) 300,000 shares of capital stock. **Price**—At par (10c per share). **Underwriter**—Cromer Brokerage Co., Salt Lake City. **Proceeds**—To develop uranium oxide ore properties. **Office**—328 Atlas Bldg., Salt Lake City.

Mascot Mines, Inc., Kellogg, Ida.
Oct. 27 (letter of notification) 400,000 shares of capital stock. **Price**—37½ cents per share. **Underwriter**—Standard Securities Corp., Spokane, Wash. **Proceeds**—To purchase controlling interest in Pine Creek Lead-Zinc Mining Co., for development costs and working capital.

McCormick & Co., Inc., Baltimore, Md.
Nov. 22 (letter of notification) 1,000 shares of 5% cumulative preferred stock (par $100), 4,500 shares of non-voting common stock (no par) and 4,590 shares of voting common stock (no par). **Price**—The preferred at par and the common at the market (approximately $22 per share). **Underwriter**—Alex. Brown & Sons, Baltimore, Md. **Proceeds**—For working capital. **Office**—414 Light Street, Baltimore 2, Md.

NEW ISSUE CALENDAR

December 22, 1950	
Skiatron Electronics & Television Corp.	Common
January 2, 1951	
Rossville Dyestuff Corp.	Preferred
January 3, 1951	
Dow Chemical Co.	Common
Wilcox-Gay Corp.	Common
January 23 1951	
Southern Natural Gas Co.	Bonds
February 1, 1951	
Nevada-Tungsten Corp.	Common

Mercantile Acceptance Corp. of California
Dec. 4 (letter of notification) 5,000 shares of first preferred stock, 5% series. **Price**—At par ($20 per share). **Underwriter**—Guardian Securities Corp. of San Francisco. **Proceeds**—For corporate purposes. **Office**—333 Montgomery Street, San Francisco, Calif.

Middlesex Water Co., Newark, N. J.
Feb. 9 (letter of notification) 5,200 shares of common stock offered to common stockholders at $50 per share on a one-for-five basis. **Underwriter**—Clark, Dodge & Co. **Proceeds**—To pay notes and for additional working capital. Indefinitely postponed.

● **Midwestern Insurance Co., Oklahoma City, Okla.**
Dec. 6 (letter of notification) 1,250 shares of $5 cumulative preferred stock (par $1), redeemable at $100 per share. **Price**—$100 per share **Underwriter**—None. **Proceeds**—For working capital. **Office**—212½ N. W. Fifth St., Oklahoma City, Okla.

Mission Appliance Corp., Hawthorne, Calif.
July 24 filed 50,000 shares of 6% cumulative convertible preferred stock. **Price**—At par ($20 per share). **Underwriter**—Lester & Co., Los Angeles, Calif. **Proceeds**—To retire bank loans and install machinery and equipment in a proposed new plant to be located east of the Rocky Mountains. **Business**—Manufacturer of gas and electric water and space heaters.

Muntz Car Co., Evanston, Ill.
Nov. 29 (letter of notification) 300,000 shares of common stock (no par) to be sold to a group of 20 individuals. **Price**—$1 per share. **Underwriter**—None. **Proceeds**—For operating capital, and to complete purchase of tools, dies and inventory from Kurtis-Kraft, Inc. **Office**—1000 Grey Ave., Evanston, Ill.

● **National Shirt Shops of Delaware, Inc.**
Dec. 18 (letter of notification) 8,000 shares of common stock (par $1). **Price**—$12.50 per share. **Underwriter**—Emanuel Deetjen & Co., New York. **Proceeds**—To four selling stockholders.

Nesco, Inc., Milwaukee, Wis.
Dec. 1 (letter of notification) 30,000 shares of common stock (par $5), to be offered for subscription by employees and officers of the company. **Price**—To be $1 per share less than the last sale price on the New York Stock Exchange on day next preceding date of offering or of stockholders' meeting, at which plan of sale is adopted, whichever is lower. **Proceeds**—For additional treasury funds so additional receivables and inventories can be carried. **Office**—270 No. 12th Street, Milwaukee, Wis.

● **Nevada-Tungsten Corp., Jersey City, N.J. (2/1)**
Dec. 7 (letter of notification) 2,000,000 shares of common stock (par one cent). **Price**—15 cents per share. **Underwriter**—Tellier & Co., New York. **Proceeds**—For working capital. **Office**—15 Exchange Place, Jersey City 2, N. J.

Otter Tail Power Co., Fergus Falls, Minn.
Dec. 5 (letter of notification) 4,990 shares of common stock (par $5). **Price**—At approximately market (about $18.75 per share). **Underwriters**—Kalman & Co., St. Paul, Minn.; Glore, Forgan & Co., Chicago, Ill.; and W. R. Olson Co., Fergus Falls, Minn. **Proceeds**—To Thomas C. and Cyrus G. Wright, executors of the will of Grace Clark Wright (deceased).

● **Pioneer Enterprises, Inc., Bluefield, W. Va.**
Dec. 1 (letter of notification) 670 shares of common stock (voting and non-assessable). **Price** — At par ($100 per share). **Underwriter**—None. **Proceeds** — For working capital. **Office** — Law and Commerce Bldg., Bluefield, W. Va.

● **Privat-Ear Corp., New York City**
Dec. 12 (letter of notification) 112,500 shares of class A stock (par $1) and 112,500 shares of common stock (par 1¢) to be offered in units of one share of class A and one share of common stock. **Price**—$2.05 per unit. **Underwriter**—Aetna Securities Corp., New York. **Proceeds**—To purchase patents and equipment and for working capital. **Office**—2016 Bronxdale Ave., New York 60, N. Y. Expected after the first of the year.

Ramie Products Corp.
Sept. 21 (letter of notification) 25,000 shares of common stock (par $1). **Price**—$3 per share. **Underwriter**—Smith, Talbott & Sharpe, Pittsburgh, Pa. **Proceeds**—For purchase of additional machinery and equipment and working capital. **Office**—507 Liberty Avenue, Pittsburgh 22, Pa.

● **Rossville Dyestuff Corp. (1/2)**
Dec. 14 (letter of notification) 1,000 shares of 6% cumulative preferred stock. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—To pay debt and for capital improvements and working capital. **Office**—Arthur Kill Road, Staten Island 13, N. Y.

● **Sanitary Products Corp., Taneytown, Md.**
Dec. 18 filed 110,000 shares of common stock (par $1). **Price**—At not less than $6 per share. **Underwriters**—Ward and Co. Investing Securities, Inc., and James C. Kennedy, Jr., of New York. **Proceeds**—For construction and working capital. **Business** — Manufacture of catamenial tampons.

Scott Paper Co., Chester, Pa.
Dec. 5 filed 23,529 shares of common stock (no par) to be offered to employees of the company under its "Employees' Stock Purchase Plan for 1951." The company anticipates a maximum of 5,000 memberships in the plan under which any eligible employee may subscribe for an amount up to but not exceeding 10% of his weekly earnings.

Shattuck-Denn Mining Corp.
Dec. 8 (letter of notification) 597 shares of capital stock (par $5). **Price**—At the market (approximately $5 per share). **Underwriter**—Harris, Upham & Co., New York. **Proceeds**—For general corporate purposes.

● **Shipley Wholesale Drug Co.**
Dec. 15 (letter of notification) 2,900 shares of 4% cumulative preferred stock. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—To retire $250,000 8% preferred stock (par $100) and to retire sales credits. **Office**—4724 Baum Boulevard, Pittsburgh 13, Pa.

● **Skiatron Electronics & Television Corp. (12/22)**
Dec. 15 (letter of notification) 40,000 shares of common stock (par 10¢). **Price**—$3 per share. **Underwriter**—Leslie d'Avigdor, New York. **Proceeds**—To complete "Subscriber-Vision" tests, to purchase equipment and for general overhead.

South State Uranium Mines Ltd. (Canada)
Nov. 30 filed 560,000 shares of capital stock. **Price**—At par ($1 per share). **Underwriter-Optionee**—Robert Irwin Martin of Toronto. **Proceeds**—For commissions, exploration and development expenses, and working capital.

South West Box Co., Keokuk, Iowa
Nov. 27 (letter of notification) $200,000 10-year 6% subordinated instalment debenture bonds. **Price**—To be sold in multiples of $100 plus accrued interest. **Underwriter**—None. **Proceeds**—For corrugated machine.

Southeastern Telephone Co., Tallahassee, Fla.
Nov. 20 (letter of notification) 10,000 shares of common stock (par $10). **Price**—$11.25 per share. **Underwriter**—Wagner, Reid & Ebinger, Louisville, Ky. **Proceeds**—For construction and improvement.

Southern Discount Co., Atlanta, Ga.
Sept. 18 (letter of notification) $191,500 of 5% subordinated debentures, series E. **Price**—At par. **Underwriter**—For $100,000 of debentures, Allen & Co., Lakeland, Fla. **Proceeds**—To reduce bank loans and for working capital. **Office**—220 Healey Bldg., Atlanta, Ga.

● **Southern Fire & Casualty Co., Knoxville, Tenn.**
Dec. 11 (letter of notification) 5,000 shares of capital stock (no par). **Price**—$9.50 per share. **Underwriter**—None. **Proceeds**—To expand operations. **Office**—4277 Lyons View Pike, Knoxville, Tenn.

Southern Insurance, Inc., Atlanta, Ga.
Nov. 2 (letter of notification) 30,000 shares of common stock. **Price**—At par ($10 per share). **Underwriter**—None. **Proceeds**—To purchase stock in Southern Fire & Marine Insurance Co. and to reduce debt. **Office**—79 Ponce De Leon Ave., N. E., Atlanta, Ga.

● **Southern Natural Gas Co., Birmingham, Ala. (1/23)**
Dec. 18 filed $17,500,000 of first mortgage pipeline bonds due Dec. 1, 1970. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); The First Boston Corp. **Proceeds**—To repay bank loans and for expansion program. **Bids**—Expected to be opened on Jan. 23.

● **Southern Natural Gas Co.**
Dec. 18 filed 155,546 shares of common stock (par $7.50) to be offered for subscription by common stockholders on the basis of one share for each 10 shares held, with an oversubscription privilege. **Price** — To be filed by amendment. **Underwrtier**—None. **Proceeds** — To repay bank loans and for expansion program. **Offering**—Expected latter part of January.

● **Sparkman & McLean Co., Seattle, Wash.**
Dec. 8 (letter of notification) 2,000 shares of preferred stock, first series, with a 2% participation. **Price**—At par ($100 per share). **Underwriter** — None. **Proceeds**—For working capital. **Office**—1110 Third Ave., Seattle 1, Wash.

● **Spokane Warehouse & Storage Co., Spokane, Wash.**
Dec. 4 (letter of notification) $270,000 of first mortgage 6% bonds due Dec. 31, 1960, and 270,000 shares of common stock (par 10 cents), the bonds to be offered in units of $100 each, or in multiples thereof, with the stock to be issued as a bonus at the rate of one share of stock for each $1 of bonds purchased. **Price** — At principal amount for the bonds. **Underwriter**—Richard W. Bowler, Spokane, Wash. **Proceeds**—To purchase building. **Office**—214 Paulsen Bldg., Spokane, Wash.

● **Standard Brewing Co. of Scranton, Pa.**
Dec. 11 (letter of notification) 50,000 shares of common stock (no par), which includes 35,600 shares previously sold at prices ranging from $1.25 to $1.87½ per share and now covered by rescission offer. The additional 14,400 shares will be offered "at the market" **Underwriter**—The First Guardian Securities Corp., New York.

Proceeds—To Patrick F. Cusick, Chairman of the Board, the selling stockholder.

● **Standard Oil Co. of California**
Dec. 6 (letter of notification) not to exceed 2,085.9 shares of capital stock (no par) to be offered by The Chase National Bank of the City of New York. **Price**—\$78.62½ per share. **Underwriter**—None. **Proceeds**—For benefit of holders of capital stock scrip certificates issued Jan. 28, 1949.

Sunshine Packing Corp. of Pennsylvania
Dec. 8 (letter of notification) 2,950 shares of 5% preferred stock. **Price**—At par (\$100 per share). **Underwriter**—None. **Proceeds**—For additional operating capital. **Office**—Smedley Street, North East, Pa. **Business**—Processes and cans frozen fruits and fruit juices.

Texas Illinois Natural Gas Pipeline Co.
Nov. 20 filed 300,000 shares of common stock (par \$1), being offered to common stockholders of record Dec. 8 on the basis of one new share for each 7½ shares held. (Peoples Gas Light & Coke Co., owner of approximately 51% of outstanding common stock, will subscribe for its proportionate share of new stock, plus any other unsubscribed shares. Rights will expire on Dec. 28. **Price**—\$10 per share. **Proceeds**—To finance proposed pipeline from Texas to Chicago. Statement effective Dec. 8.

● **Transportation Lease Co., San Francisco, Calif.**
Dec. 8 (letter of notification) 20,000 shares of 4% non-cumulative, non-participating, non-voting, non-convertible preferred stock (par \$5) and 3,300 shares of common stock (par \$5). Of the preferred stock, 10,300 shares will be offered in exchange for the same number of shares of common capital stock, 4,800 will be offered in cancellation of indebtedness to the shareholder-automobile dealers in amount equal to par value, and 4,900 shares to any or all of the shareholder-auto dealers as shall become shareholders of the corporation. The 3,300 common shares will be offered for cash or credit from selected auto dealers in various communities who may be invited to membership in this corporation, all at \$5 per share. **Purpose**—To exchange preferred for common, to cancel existing indebtedness, and to assist in financing of purchase of new autos for leasing. **Office**—25 California St., San Francisco, Calif.

Vitro Manufacturing Co.
Dec. 4 (letter of notification) 30,000 shares of common stock (par \$1) to be offered to common stockholders of record Dec. 15 on basis of one new share for each 5.64 shares held; rights to expire Jan. 2. **Price**—\$10 per share. **Underwriter**—None. **Proceeds**—For initial working capital of Vitro Chemicacl Co., Inc., a subsidiary, to be formed in December, 1950, to acquire and operate a plant in Salt Lake City, Utah, for the processing of uranium and manganese ores. **Office**—60 Greenway Drive, Corliss Station, Pittsburgh 4, Pa.

Vulcan Extension, Inc., Wallace, Idaho
Nov. 27 (letter of notification) 250,000 shares of capital stock (par 20 cents). **Price**—31 cents per share. **Underwriter**—J. A. Hogle & Co., Spokane, Wash. **Proceeds**—For initial working capital for ore development. **Address**—c/o H. J. Hull & Sons, Wallace, Idaho.

Westerly (R. I.) Automatic Telephone Co.
Dec. 1 (letter of notification) 7,000 shares of common stock to be offered to stockholders of record Dec. 9, 1950, of which total 4,434 shares will be subscribed for by New England Telephone & Telegraph Co. **Price**—At par (\$25 per share). **Underwriter**—None. **Proceeds**—For general corporate purposes. **Office**—38 Main St., Westerly, Rhode Island.

Wilcox-Gay Corp., Charlotte, Mich. (1/3)
Oct. 25 filed 500,000 shares of common stock (par \$1). **Price**—To be supplied by amendment. **Underwriters**—Gearhart, Kinnard & Otis, Inc., New York, N. Y., and White & Co., St. Louis, Mo. **Proceeds**—To pay obligations to all unsecured creditors.

Prospective Offerings

Algonquin Gas Transmission Co.
Nov. 8 the FPC said it was of the opinion that certain of the New England markets should be served by this company, upon showing that it has an adequate amount of gas. Necessary financing, probably about \$40,000,000, likely to be 75% bonds and 25% stock, with common stock to be offered first to stockholders. Probable underwriter: Dillon, Read & Co. Inc.

American Bosch Corp.
Nov. 22 it was announced stockholders will vote Dec. 18 on creating a new issue of 40,000 shares of 5% cumulative preferred stock (par \$100), to be issued in series. Of this issue, it is proposed to place privately with a group of insurance companies 16,500 shares of series A preferred, the proceeds to be used to redeem all of the presently outstanding 16,336 shares of 5% cumulative preferred stock.

Capital Plastics, Inc.
Nov. 28, it was announced that it is planned to offer common stockholders of Rochester Button Co. rights to subscribe for 131,025 shares of capital stock on the basis of one share of capital stock for each present share of Rochester Button stock held as of record Dec. 18, 1950; rights to expire about Jan. 16. **Price**—\$1 per share. **Proceeds**—To acquire Techperl and Brodhead Divisions of Rochester Button Co., which are engaged in plastic operations. **Offering**—Rights expected to be mailed early in January, 1951.

Carolina Power & Light Co.
Dec. 4 it was reported company plans issuance of \$15,000,000 new first mortgage bonds. **Underwriters** — If named by competitive bidding, probable bidders are: Halsey, Stuart & Co. Inc.; W. C. Langley & Co. and First Boston Corp. (jointly); Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Lehman brothers; Equitable Securities Corp.; Smith, Barney & Co. **Proceeds**—For construction program. **Bids**—Expected first week in February.

Carpenter Steel Co.
Oct. 30 stockholders voted to increase the authorized common stock, par \$5, from 500,000 shares to 1,000,000 shares (there are presently 396,000 shares outstanding). The management has no present plans to issue any additional common stock. Traditional underwriters: F. S. Moseley & Co.; White, Weld & Co.; Hemphill, Noyes, Graham, Parsons & Co., and H. M. Byllesby & Co., Inc.

Chesapeake & Ohio Ry.
Dec. 4 it was reported company contemplates issuance of \$7,500,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler. **Bids**—Expected in January.

● **Chicago, Indianapolis & Louisville Ry.**
Bids will be received at the company's office in Chicago, Ill., up to 12 o'clock noon (CST) on Jan. 3 for the purchase from it of \$1,200,000 of equipment trust certificates to be dated March 1, 1951 and mature semi-annually 1952 through 1966. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Lehman Brothers, Bear, Stearns & Co. and Schoellkopf, Hutton & Pomeroy, Inc. (jointly).

Clinton Foods, Inc.
Dec. 12, it was announced stockholders on Jan. 15 will vote on increasing the authorized common stock (par \$1) from 1,500,000 to 2,000,000 shares the increase to provide "substantial funds for capital additions and working capital," and "to provide for the conversion of 100,000 shares of unissued and unreserved 4½% cumulative convertible preferred stock." Probable Underwriters: Merrill Lynch, Pierce, Fenner & Beane.

Columbia Gas System, Inc.
Dec. 7 it was reported that corporation may issue and sell \$35,000,000 of new securities in the Spring or early summer. Probable bidders for debentures: Halsey, Stuart & Co. Inc.; Morgan, Stanley & Co.; Kuhn, Loeb & Co.; Salomon Bros. & Hutzler; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly). Probable bidders for common stock, in event of competitive bidding: Morgan Stanley & Co.; Goldman, Sachs & Co. and Union Securities Corp. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Lehman Brothers; Shields & Co. and R. W. Pressprich & Co. (jointly). Proceeds will be used for expansion program.

Consolidated Gas Electric Light & Power Co. of Baltimore
Nov. 24 it was announced company plans to register with the SEC by the end of December a proposed offering of \$25,000,000 new bonds. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and White, Weld & Co. (jointly); Harriman Ripley & Co. Inc. and Alex. Brown & Sons (jointly); Kuhn, Loeb & Co. **Bids**—Expected to be invited during the latter part of January.

El Paso Electric Co.
Dec. 12, it was announced the company has applied to the FPC for authority to issue and sell \$4,500,000 of first mortgage bonds due Dec. 1, 1980. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp.; Merrill Lynch, Pierce, Fenner and Beane; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; Equitable Securities Corp. **Proceeds**—To redeem \$1,000,000 of 3½% bonds due 1978 and for construction program.

Emerson Electric Manufacturing Co.
Nov. 20 it was reported that the company was said to be considering the sale of an issue of convertible preferred stock first to stockholders on about a 1-for-8 basis. Probable underwriters: Smith, Barney & Co.: Van Alstyne, Noel & Co.; Newhard, Cook & Co. **Registration**—Expected about Dec. 29.

● **Erie RR.**
Dec. 14, it was reported company plans to issue and sell in January \$5,400,000 of equipment trust certificates. Probable bidders: Halsey Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Facsimile & Electronics, Inc.
Oct. 2 stockholders of this company (formerly Finch Telecommunications, Inc.) voted to create an authorized issue of 400,000 shares of class A convertible stock (par \$1), all or part of which are to be publicly offered in the near future. **Price**—\$2.50 per share. **Underwriter**—Graham, Ross & Co., Inc., New York. **Proceeds**—To repay indebtedness to RFC and for working capital.

Firth Carpet Co.
Nov. 30 it was announced stockholders will vote Dec. 20 on creating an authorized issue of 30,000 shares of new preferred stock (par \$100), of which it is initially planned to issue and sell 10,000 shares to provide additional working capital. Traditional underwriter: Reynolds & Co., New York.

Foote Mineral Co.
Nov. 20 company said it may sell during 1951 some additional common stock following proposed 200% stock distribution on March 1, 1951. Traditional underwriter: Estabrook & Co., New York.

● **Houston Lighting & Power Co.**
Dec. 19 it was reported company plans to issue and sell \$15,000,000 of new first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Dillon, Read & Co. Inc. **Proceeds**—For construction program. **Offering**—Expected in January or February.

Kansas-Nebraska Natural Gas Co.
Nov. 24 company applied to the FPC for permission to increase capacity from 146,000,000 cubic feet to 164,200,000 cubic feet daily at an estimated cost of \$5,201,331, to be financed by bonds, preferred and common stocks. Bonds may be placed privately through Central Republic Co., Chicago. Probable underwriters for the stocks are Cruttenden & Co., Chicago, and First Trust Co. of Lincoln, Neb.

Lone Star Steel Corp.
Nov. 12, it was reported that company may issue and sell additional securities should it receive government consent to the building of a new plant. Probable underwriters: Straus & Blosser; Estabrook & Co., and Dallas Rupee & Son.

● **MacMillan Co., New York**
Dec. 18 it was reported early registration is expected of approximately 170,000 shares of common stock. **Underwriters**—Hemphill, Noyes, Graham, Parsons & Co., New York. **Proceeds**—To selling stockholders. Expected about Jan. 16.

Marion Power Shovel Co.
Dec. 8, the company announced it plans the sale of additional common stock (par \$5) so as to add approximately \$500,000 to equity capital, such shares to be first offered to present common stockholders on a pro rata basis. **Registration**—Expected to be effected in February, 1951. **Proceeds**—The net proceeds from the sale of the stock, together with proceeds from a proposed term loan of approximately \$2,500,000 with banks and an insurance company, will be used to refund \$1,175,000 bank loans, payment of preferred dividend arrearages of \$1,501,500, and the balance for working capital.

Minnesota Power & Light Co.
Dec. 6, Clay C. Boswell, President, announced that the company expects to raise about \$10,000,000 through the sale of new securities within the next year or so. The financing may be either in the form of bonds or preferred stock. The proceeds will be used for the company's expansion program. Probable bidders for bonds may include Halsey, Stuart & Co. Inc.; Shields & Co.; The First Boston Corp. and Glore, Forgan & Co. (jointly); Otis & Co.; White, Weld & Co.; Lehman Brothers and Drexel & Co. (jointly); Union Securities Corp.; Kidder, Peabody & Co.; Coffin & Burr, Inc.

Mississippi River Fuel Corp., St. Louis, Mo.
Oct. 4 it was announced that plans to finance the installation of additional compressor units on the company's pipeline system in Arkansas and Missouri will be supplied later. The estimated cost of the new facilities is \$5,500,000. Previous bond financing was arranged for privately through Union Securities Corp., who also acted as underwriter for a common stock issue in April of this year.

Monarch Machine Tool Co.
Nov. 9, it was announced that stockholders will vote Dec. 20 on a plan to increase the authorized common stock from 250,000 shares to 750,000 shares and splitting up the present 210,000 outstanding shares on a two-for-one basis. If any new financing, probable underwriters will include F. Eberstadt & Co., Inc., of New York, and Prescott, Hawley, Shepard & Co., Inc., of Cleveland, Ohio.

Monongahela Power Co.
Dec. 1 it was announced company plans issuance and sale of \$10,000,000 of new bonds. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; W. C. Langley & Co. and The First Boston Corp. (jointly); Union Securities Corp.; Salomon Bros. & Hutzler; Lehman Brothers; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Glore, Forgan & Co. **Proceeds**—For expansion program. **Offering**—Expected in March, 1951.

Montana-Dakota Utilities Co.
Oct. 11 company asked FPC for authority to issue \$2,800,000 of 2½% promissory notes to banks to provide funds for its expansion program. These notes, together with \$3,000,000 of notes authorized by FPC last May, are to be refunded by permanent financing before April 1, 1951. Traditional underwriters are Blyth & Co., Inc. and Merrill Lynch, Pierce, Fenner & Beane. Stockholders on Nov. 27 will vote on increasing authorized preferred stock from 100,000 to 150,000 shares and common stock from 1,500,000 to 2,500,000 shares. R. M. Heskett, President, stated that about \$10,000,000 will be raised within the next six months.

Nevada Natural Gas Pipe Line Co.
Nov. 15 company asked FPC to authorize construction and operation of a 114-mile pipeline for the transportation of natural gas, which, it is estimated, will cost \$2,331,350.

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New York Central RR.

Dec. 11 the company was said to be preparing to issue $7,500,000 of equipment trust certificates after the turn of the year. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

New York, Chicago & St. Louis RR.

Dec. 8 Lynne L. White, Chairman, announced that the company plans to offer 33,770 shares of common stock at the rate of one new share for each ten common shares held, subject to the approval of the ICC. The offering price to be fixed later, will be below the market price prevailing at time of offering. **Underwriters**—None.

Niagara Gas Transmission Ltd. (Canada)

Oct. 20, it was announced that this company, a subsidiary of Consumers' Gas Co., plans to build a pipe line in Canada to export from Tennessee Gas Transmission Co. Texas natural gas by way of the Niagara border. The total cost of the project is estimated at $6,000,000, of which $2,000,000 will be represented by 400,000 shares of capital stock, par $5, and $4,000,000 to be raised by the issue of bonds.

Niagara Mohawk Power Corp.

Oct. 24 the company estimated that, through 1951, it will require not more than $35,000,000 of additional debt or equity financing in connection with its 1951 construction which is expected to cost $52,328,000. This amount is in addition to the sale on Oct. 31 of $40,000,000 general mortgage bonds due Oct. 1, 1980. Probable bidders for new bonds: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Kuhn, Loeb & Co.; The First Boston Corp.

Northeastern Gas Transmission Co.

Nov. 8 FPC authorized company to supply part of New England with natural gas, and authorized Tennessee Gas Transmission Co., parent, to carry out a $118,645,545 expansion program, part of which will supply some of Northeastern's gas needs. Of the total financing, 75% will be in the form of first mortgage bonds to be placed privately with a group of life insurance companies. The remaining 25% would be obtained through the sale of equity securities. Traditional underwriters for Tennessee White, Weld & Co.; Stone & Webster Securities Corp.

Oklahoma Gas & Electric Co.

Sept. 28 a plan was filed with the SEC, which provides, in part, for the refunding of the outstanding $6,500,000 5¼% cumulative preferred stock (par $100) with an equal par amount of preferred stock having a lower dividend rate "as soon as the transaction becomes economically sound," and to finance part of the company's construction program by the issuance and sale of additional common stock. Stockholders were to vote Dec. 11 on changing each of the 1,076,900 shares of $20 common stock now outstanding to two shares of common stock, $10 par each; and on changing the 825,000 shares of authorized but unallotted shares, $20 par, of 4% cumulative preferred stock to 165,000 shares of $100 par cumulative preferred stock. Probable underwriters: Harriman Ripley & Co., Inc.; Smith, Barney & Co.; Lehman Brothers.

Pacific Lighting Corp.

Nov. 13 corporation estimated that approximately $24,000,000 will have to be raised through the sale of securities next year to finance its 1951 construction program. Traditional underwriter: Blyth & Co., Inc.

● **Pacific Telephone & Telegraph Co.**

Dec. 8 directors voted to offer stockholders the right to subscribe for 569,946 additional shares of common stock on basis of one share for each 10 common and/or preferred shares held. **Price** — At par ($100 per share). **Parent**—American Telephone & Telegraph Co. owns approximately 89% of Pacific's stocks. **Underwriter**—None.

Pennsylvania Electric Co.

Oct. 4 company was reported to be planning the issuance early next year of about $10,000,000 new bonds. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Beane; Union Securities Corp. and White, Weld & Co. (jointly); Equitable Securities Corp.; The First Boston Corp.; Kuhn, Loeb & Co.; Harriman Ripley & Co., Inc. Proceeds are to be used to finance construction program.

Pennsylvania Power & Light Co.

Nov. 9 Chas. E. Oakes, President, stated the company will require about $34,900,000 of new capital over the next four years through the sale of securities. It is reported that not over 75,000 shares of series preferred stock may be sold late this year or early 1951. **Traditional Underwriters**—The First Boston Corp. and Drexel & Co. **Proceeds**—To finance, in part, the company's construction program.

● **Pittsburgh Brewing Co.**

Dec. 12 it was announced stockholders will vote Jan. 16 on authorizing indebtedness up to $6,000,000 for future requirements, if necessary. Company plans to expend $3,500,000 additional for additions and improvements, mostly in 1951.

Potomac Edison Co.

Dec. 1 it was announced that company plans to issue $10,000,000 of new bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; W. C. Langley & Co. and The First Boston Corp. (jointly); Kidder, Peabody & Co. and Alex. Brown & Sons (jointly); Glore, Forgan & Co.; Salomon Bros. & Hutzler; Harriman Ripley & Co., Inc., and Union Securities Corp. (jointly). **Proceeds** — For expansion program. **Offering**—Expected in April or May, 1951.

Public Service Co. of Colorado

Nov. 1, J. E. Loiseau, President, announced that "it will be necessary to raise additional funds for construction purposes in the second quarter of 1951. The amount needed is estimated at about $7,000,000." Probable bidders for $7,000,000 of debentures which company had planned to issue earlier this year were: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc. and Smith, Barney & Co. (jointly); The First Boston Corp.; Lehman Brothers; Kidder, Peabody & Co.; Harris, Hall & Co. (Inc.). This latter plan was abandoned last August.

Public Service Co. of Indiana, Inc.

Oct. 31, company estimated that, in addition to the $40,000,000 bank credit arranged with eight banks, it may be required, during the period prior to Dec. 31, 1953, to obtain additional funds of approximately $40,000,000 in order to take care of its construction program.

● **Reading Co.**

Dec. 14 it was stated company plans issuance and sale next month of $8,000,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.).

Reliance Electric & Engineering Co.

Nov. 22 directors voted to call a special meeting of stockholders for Jan. 18, 1951, for purpose of increasing authorized common stock from 350,000 shares (209,221 shares outstanding) to 1,000,000 shares and to effect a 2-for-1 stock split-up. The stockholders would then have preemptive rights in 531,558 of the unissued new shares while 50,000 shares would be reserved for future sale to employees and for other corporate purposes. Traditional underwriter: Hayden, Miller & Co.

● **San Diego Gas & Electric Co.**

Dec. 19 it was announced company plans to issue and sell 325,000 additional shares of preferred stock (par $20). **Underwriters**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc.; Salomon Bros. & Hutzler and the Union Securities Corp. (jointly); White, Weld & Co. and Shields & Co. (jointly). **Proceeds**—To repay $3,200,000 bank loans and for expansion program.

● **Seaboard Air Line RR.**

Dec. 13 it was reported company plans issuance of $4,920,000 equipment trust certificates next month. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.).

South Atlantic Gas Co.

Dec. 11 company sought Georgia P. S. Commission for authority to issue $3,000,000 new first mortgage bonds. May be placed privately. The proceeds will be used to repay bank loans and for expansion program.

South Jersey Gas Co

Nov. 20 an advisory report submitted to SEC provides for sale of entire holdings of United Corp. in the stock of South Jersey Gas Co. (154,231.8 shares, par $5 each.) Probable bidders: Lehman Brothers and Bear, Stearns & Co. (jointly).

Southeastern Michigan Gas Co. (Mich.)

Dec. 1 it was announced that in connection with the financing of the proposed pipeline, the acquisition of distribution facilities and the conversion of the system to natural gas, the company proposes to issue $3,300,000 of first mortgage bonds, $500,000 of 5% prior preferred stock, $200,000 of 6% cumulative preferred stock and $400,000 of common stock, subject to the approval of the Michigan P. S. Commission. The FPC authorized the company to construct natural gas pipeline facilities to serve the southeastern Michigan area.

Southeastern Telephone Co.

Nov. 20 this company, a subsidiary of Central Electric & Gas Co., notified the SEC that it proposes to offer 10,000 shares of common stock (par $10). **Price**—$11.25 per share. **Underwriter**—Wagner, Reid & Ebinger, Louisville, Ky. **Proceeds**—For construction and improvement program.

Southern California Edison Co.

Sept. 27, W. C. Mullendore, President, announced that company will have to raise $50,000,000 in new capital within the next 18 months to finance its 1951 construction program. Total financing may involve $55,000,000 in new bonds. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp. and Harris, Hall & Co. (Inc.) (jointly); Shields & Co.

Southern Indiana Gas & Electric Co.

Nov. 6, the company applied to the Indiana P. S. Commission for authority to issue and sell $3,000,000 of 30-year first mortgage bonds. Underwriters—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; First Boston Corp.; Equitable Securities Corp.; Otis & Co.; Carl M. Loeb, Rhoades & Co.; Salomon Bros. & Hutzler. Proceeds—For expansion program.

Southern Union Gas Co.

Oct. 20 it was reported company plans to raise between $7,000,000 and $8,000,000 through the sale of new securities next Spring. **Underwriter** — Blair, Rollins & Co., Inc., handled the financing early this year of $18,000,000 of first mortgage 2⅞% bonds and $3,000,000 of 4¾% preferred stock (par $100). **Proceeds**—To repay $3,000,000 of bank loans and for construction expenditures.

Southwestern Public Service Co.

Nov. 15, the company announced that it is anticipated that over $17,500,000 will be raised from the sale of securities in the fiscal year to end Aug. 31, 1951. It is expected that the new senior securities to be sold will consist of first mortgage bonds and preferred stock and that a portion of the cash requirements will be derived from the sale of additional common stock. The bonds and preferred stock may be placed privately. The common stock will probably be offered first to common stockholders and underwritten by Dillon, Read & Co. Inc. **Proceeds**—To be used for expansion program.

Tennessee Gas Transmission Co.

See accompanying item on Northeastern Gas Transmission Co.

Texas Eastern Transmission Corp.

Dec. 6 it was announced that the company intends to issue in 1951 an estimated $20,000,000 of equity securities (probably preferred stock). **Traditional Underwriter**—Dillon, Read & Co. Inc., New York. **Proceeds**—For expansion program.

Texas & Pacific Ry.

Dec. 5 it was announced company plans to issue and sell either $3,800,000 or $4,500,000 equipment trust certificates, series I, to be dated Feb. 1, 1951. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.); Lee Higginson Corp.; R. W. Pressprich & Co.; Harriman Ripley & Co. Inc. and Lehman Brothers (jointly); Blair, Rollins & Co. Inc. Expected in January.

● **United Electric Rys. Co.**

Dec. 18 it was reported the New England Electric System will receive bids Dec. 21 for the sale of its 99.143% interest in the 82,507 outstanding shares of United Electric Rys. capital stock (par $100). Probable bidders: Blyth & Co., Inc. and Lehman Brothers (jointly); Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly); Harriman Ripley & Co. Inc. and Goldman, Sachs & Co. (jointly).

United Gas Corp.

Nov. 16, the Division of Public Utilities of the SEC has recommended that SEC order Electric Bond & Share Co. to dispose of its holdings of 2,870,653 shares (26.95%) of United Gas Corp. common stock. In event of competitive bidding, probable bidders may include Lehman Brothers.

United States Pipe Line Co. (Del.)

Sept. 25, it was announced that this company had been formed to build, own and operate a petroleum products pipeline from the Texas Gulf Coast to St. Louis, Chicago and other midwest markets to operate as a "common carrier." The initial financing has been arranged for privately, with no public offering expected for at least two years. E. Holley Poe and Paul Ryan, of 70 Pine St., New York, N. Y., are the principal officers of the corporation.

Utah Natural Gas Co.

Nov. 21, the company applied to the Utah P. S. Commission for permission to extend the proposed natural gas line from northeastern Utah to include additional areas in that State. The estimated cost of the project was increased to $32,000,000 (from $25,000,000 in the original application), according to John A. McGuire, President, and the length of the proposed transmission increased from 325 miles to 469 miles.

Valley Gas Pipe Line Co., Inc., Houston, Tex.

June 27 company sought FPC authorization to construct a $144,500,000 pipeline project to carry natural gas from the Gulf Coast and off-shore fields in Louisiana and Texas to markets in Indiana, Ohio and Michigan. Company is now in process of completing negotiations for its major financing requirements.

West Penn Electric Co.

Dec. 1 it was reported company plans to sell $7,000,000 of new common stock, either to the stockholders or through underwriting. If through underwriters, stock may be sold at straight competitive bidding. Probable bidders: Lehman Brothers and Goldman, Sachs & Co. (jointly); Morgan Stanley & Co.; W. C. Langley & Co. and The First Boston Corp. (jointly); Harriman Ripley & Co. Inc. **Proceeds**—For expansion program. **Offering**—Expected early in 1951.

Westcoast Transmission Co., Ltd.

Nov. 10, it was announced that Westcoast Transmission Co., Inc., its American affiliate, has filed an application with the FPC seeking authorization to construct approximately 615 miles of pipeline for the transportation of natural gas in the States of Washington and Oregon (this project is estimated to cost $25,690,000). Both companies are sponsored by Pacific Petroleums, Ltd., of Calgary, Sunray Oil Corp. and other members of the "Pacific Group" engaged in active oil and gas exploration and development in Western Canada. The completed line of both companies, to be about 1,400 miles, will, according to estimates, cost about $175,000,000, to be financed 75% by bonds and the remainder by preferred and common stock. **Underwriters**—Eastman, Dillon & Co. and The First Boston Corp.

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Democracy, Inflation, and The Stock Market Outlook

ance Companies, Savings Banks, Trust Officers (prudent men), Pension Funds, Retirement and Death Benefit Plans and Unions. These present "big operators" do not trade in and out. Their purchases are salted away, reducing the available supply of high grade stocks. The Benevolent Funds receive contributions from members and their employers regularly, which together with enormous dividends derived from original purchases, fill their coffers continuously, thereby creating permanent reinvestment funds and also forming an important cushion under the market. They all buy the same "blue chips" comprised in the Dow-Jones averages, holding up the market at a relatively high level.

Another point of consideration is the fact that many companies allow their employees to participate in the ownership and profits of the business, gradually reducing the number of outstanding shares. As in the case of Sears-Roebuck, 102,547 employees are participating shareholders, owning approximately five million shares, or 21% of the outstanding capital stock.

Review of the General Business Outlook

Recent production figures are excellent. Prospects in the heavy industry are obvious due to the present and futuer armament program, even the "soft goods" industry has to remain on a high level in view of full employment of 62,000,000 people with an average weekly factory wage level of $60.53 and a continuously growing population. Taxes will be higher, but corporation income will still show the astounding figure of around 20 billion. With a national income of about $230 billion, prosperity seems almost guaranteed for 1951; and in subsequent years, the outlook is for a continuous race between commodity prices and income.

I agree with the prospect post-World War III, as depicted in the New York "Times" of June 7, 1950, as follows:

"A World War III, if it lasted as long as World War II, would cost some $525 billion, bringing the national debt to $600 billion or more. Prices might be permitted to soar as an alternative to debit repudiation with the dollar, in effect, devalued as a means of making the debt burden lighter. The dollar of today, worth less than 60 cents in prewar purchasing power, readily could become a 9-cent dollar of the times after World War III."

In periods of inflation, the safest protection is the holding of gold and platinum. Next to this the best hedges are land, real estate, participation in the common stocks of companies controlling or owning gold, silver, aluminum, oil, gas, iron ore, copper, zinc, lead, sulphur, titanium uranium, molybdenum, coal, etc. Irrespective of erratic fluctuations due to war news, purchases of equities representing ownership in the natural resources of our country should work out profitably over the longer period of time.

In conclusion, on every break the market seems to be a Buy and not a Sale.

Our Reporter's Report

Perhaps by way of adding a mite of seasonal cheer, reports indicated that the Western Pacific Railroad's $22,000,000 bond issue encountered brisk demand from institutional sources.

But aside from that operation and a few quick secondaries of sizable proportions, the underwriting fraternity has settled back in its chairs to wait for the turn into the New Year.

Except for a few small municipal undertakings that are known to be in the works and likely to reach market before the year-end, there is nothing in sight in the way of new issues for next week. The corporate calendar is clean.

Looking over the last twelve months and commenting on what transpired, one bond man was pleased to note that "the stock fellows are eating three meals again."

But he remarked that the year had been an average one in the bond business, spotty to say the least. That was especially so, he added, if the house in question was not involved in some of the year's private placements, or had no part in operations in an advisory capacity.

For houses engaged in straight distribution of new securities, this observer said, things were not too good. What is needed, he continued, is a greater proportion of negotiated operations where the spread is such that there is a reasonable profit in promoting sales.

Western Pacific

Four groups sought Western Pacific's 30-year first and refunding mortgage bonds brought out for bids on Tuesday. The successful syndicate paid a price of 99.64 for a 3⅛% coupon.

The runner-up bid, 99.55999, for the same rate with the lowest bid being 98.829, also for 3⅛s. The bidding was a little "rich" for some people, but evidently they had underestimated the situation.

At any rate, one large insurance company came in for a $5,000,000 block and the bonds moved out well on reoffering at 100.485 to yield 3.10%.

Fast Secondary

Few recent secondary offerings have moved out with greater celerity than the 117,692 shares of R. H. Macy & Co., Inc., common stock brought out this week.

The sponsoring group, getting the necessary clearance sooner than expected, proceeded to open subscription books shortly after midday on Tuesday, putting a price tag of $32 a share on the stock.

With in a matter of minutes it was able to announce oversubscription and immediate closing.

Similarly, a block of 110,000 shares of Honolulu Oil Corp. common, also marketed as a secondary, was sold out quickly.

Municipals Working Off

The trend of events bearing on the market and its prospects has been helping municipal dealers to whittle down their shelf stocks of unsold issues.

These had mounted rather heavily in the fall period and at the peak, about mid-November reached a record level of some $260,000,000.

In recent weeks, however, there has been a definite trend toward reduction of such inventories with two major factors providing the stimulus.

First is the prospect for still higher Federal taxation which adds to the worth of the tax-exempt feature of this type of security. And there is also the prospect that new emissions will shrink as defense needs tend to curtail work financed thereby.

Currently, dealers' stocks are estimated just above $190,000,000, well under the previous week's level.

Philip Boyer

Philip Boyer died at his winter home in Florida at the age of 65. In the past he had been associated with Hayden, Stone & Co.

With Waddell & Reed

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif.—Norman M. Lombard and Thomas D. Rike have joined the staff of Waddell & Reed, Inc., 8943 Wilshire Boulevard.

Morgan & Co. Add

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — William H. Coleman has been added to the staff of Morgan & Co., 634 South Spring Street, members of the Los Angeles Stock Exchange.

Herman E. Scheer

Herman E. Scheer, member of the New York Stock Exchange passed away on Dec. 11.

DIVIDEND NOTICES

Exide BATTERIES

THE ELECTRIC STORAGE BATTERY COMPANY

201st Consecutive Quarterly Dividend

The Directors have declared from the Accumulated Surplus of the Company a year-end dividend for the year 1950 of one dollar ($1.00) per share on the Common Stock, payable December 21, 1950, to stockholders of record at the close of business on December 15, 1950. Checks will be mailed.

H. C. ALLAN,
Secretary and Treasurer

Philadelphia 32, December 8, 1950.

RAYONIER INCORPORATED

PRODUCER OF HIGHLY PURIFIED WOOD CELLULOSE

EXTRA and REGULAR DIVIDEND

The Board of Directors has declared an extra dividend of twenty-five cents (25¢) per share on the Common Stock, and also the regular quarterly dividend of fifty cents (50¢) per share on the Common Stock, each payable February 15, 1951 to stockholders of record at the close of business January 19, 1951.

R. L. LINGELBACH
Secretary

December 12, 1950

Business Man's Bookshelf

Corporate Treasurers and Controllers Handbook—Lillian Doris—Prentice - Hall, Inc., 70 Fifth Avenue, New York 11, N. Y.—Cloth—$12.50.

Primer for Americans — Conceived and developed by Sigurd S. Larmon, President of Young & Rubicam, Inc., 285 Madison Ave., New York 17, N. Y., and his associate, Thomas W. Lapham—Paper —Single copy 25c; quantity prices on request; orders should be directed to Mr. Larmon.

Renegotiation of Defense Contracts—Special report of the Business Committee on National Policy—National Planning Association, 800 Twenty-first Street, N. W., Washington 6, D. C.—Paper.

U. S. Railroad Map of the United States—Edward L. Ullman—Simmons-Boardman Publishing Co., 30 Church Street, New York 7, N. Y.—$2.50.

DIVIDEND NOTICES

AMERICAN MANUFACTURING COMPANY
Noble and West Streets
Brooklyn 22, New York

The Board of Directors of the American Manufacturing Company has declared the regular quarterly dividend of 25c per share and a year-end dividend of 50c per share on the Common Stock, payable December 31, 1950 to Stockholders of Record at the close of business December 20, 1950. Transfer books will remain open.

COLUMBUS MOISE, Treasurer.

THE FIRST BOSTON CORPORATION

Boston, Mass., Dec. 14, 1950

At a regular meeting of the Board of Directors of **The First Boston Corporation** held on December 14, 1950, a dividend of $2.50 per share on the outstanding Capital Stock and a dividend likewise of $2.50 per share on the outstanding Class A Capital Stock were declared payable January 9, 1951 to stockholders of record as of the close of business December 26, 1950.

EDWARD J. COSTELLO,
Treasurer

Edison

Southern California Edison Company

DIVIDENDS

COMMON DIVIDEND NO. 164

PREFERENCE STOCK 4.48% CONVERTIBLE SERIES DIVIDEND NO. 15

PREFERENCE STOCK 4.56% CONVERTIBLE SERIES DIVIDEND NO. 11

The Board of Directors has authorized the payment of the following quarterly dividends:

50 cents per share on the Common Stock;

28 cents per share on the Preference Stock, 4.48% Convertible Series;

28½ cents per share on the Preference Stock, 4.56% Convertible Series.

The above dividends are payable January 31, 1951, to stockholders of record January 5, 1951. *Checks will be mailed from the Company's office in Los Angeles, January 31, 1951.*

P. C. HALE, *Treasurer*

December 15, 1950

Joins Shelley, Hicks

(Special to The Financial Chronicle)

DENVER, Colo. — Charles B. Case has joined the staff of Shelley, Hicks & Co., Cooper Building.

With Trust Co. of Ga.

(Special to The Financial Chronicle)

ATLANTA, Ga. — Edward A. Hightower is with the Trust Company of Georgia.

With Waddell & Reed

(Special to The Financial Chronicle)

ST. LOUIS, Mo. — William E. Byron is now affiliated with Waddell & Reed, Inc., 408 Olive Street.

Waddell & Reed Add

(Special to The Financial Chronicle)

KANSAS CITY, Mo.—Mary M. Cater is now with Waddell & Reed, Inc., 1012 Baltimore Ave.

DIVIDEND NOTICES

United Shoe Machinery Corporation

The Directors of this Corporation have declared a dividend of 37½ cents per share on the Preferred capital stock. They have also declared a dividend of 62½ cents per share on the Common capital stock. The dividends on both Preferred and Common stock are payable January 5, 1951, to stockholders of record at the close of business December 19, 1950.

WALLACE M. KEMP, Treasurer.

WESTERN TABLET & STATIONERY CORPORATION

Notice is hereby given that a dividend at the rate of $.50 per share on the issued and outstanding shares without par value of the Common Stock of Western Tablet & Stationery Corporation has been declared payable on January 15, 1951, to holders of record of such shares at the close of business on December 28, 1950.

E. H. BACH, Treasurer.

WICHITA RIVER OIL CORPORATION

Dividend No. 19

A dividend of Thirty cents (30¢) per share will be paid January 15, 1951 on the Common Capital Stock of the Corporation, to stockholders of record at the close of business December 29, 1950.

JOSEPH F. MARTIN,
Secretary and Treasurer

December 15, 1950.

CANADIAN PACIFIC RAILWAY COMPANY

Dividend Notice

At a meeting of the Board of Directors held today the following dividends were declared:—

On the Preference stock, a final dividend of two per cent in respect of, and from earnings for, the year 1950, payable on February 1, 1951, to stockholders of record at 3 p.m. on December 29, 1950.

On the Ordinary Capital stock, a final dividend of four per cent (one dollar per share) in respect of the year 1950, payable in Canadian funds on February 28, 1951, to shareholders of record at 3 p.m. on December 29, 1950.

The Directors point out that net earnings from railway operations for the year continue to show improvement over last year; three per cent of the dividend declared today on the Ordinary Capital stock is attributable to railway operations and one per cent to income from other sources.

The interim dividend declared in August last was attributable to income from sources other than railway operations and the total dividend for the year is thus at the rate of six per cent, one half from each source.

In recent years the declaration of the final dividend has not been made until after the close of the year to which the dividend applied. In future, so far as may be possible, an announcement in respect of a final dividend will be made before the close of the year.

By order of the Board.

FREDERICK BRAMLEY,
Secretary.

Montreal, December 11, 1950.

Washington ... And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—With a stroke of the pen, President Truman effected the greatest revolution in power achieved in peace time when he elevated Charles E. Wilson to supreme boss of the war mobilization program and sent W. Stuart Symington into the outfield of government control.

James F. Byrnes and others never quite approached at any time the power given to Mr. Wilson, a conservative businessman. Others had the power to "coordinate" various agencies, with an implied power to take some initiative.

Mr. Truman, however, invoked all his residual powers under the Constitution, and as Commander-in-Chief of the Armed Forces, and the Defense Production Act, put them all into one package, and thereby created the Office of Defense Mobilization. Its Director, "on behalf of the President" shall **direct, control,** and **coordinate** all mobilization activities of the Executive branch of the government. Specifically, he has express authority over production, procurement (thereby having a hand over the Service departments), manpower (and thus over Labor) stabilization, and transportation activities.

There is believed to be no precedent for such a grant of authority in all U. S. history. However, "what God hath given, God can taketh away," is applicable here as a figure of speech. Symington until last Saturday was the biggest man next to the President; now he is a subordinate of Mr. Wilson.

* * *

Leftwing elements have given convincing demonstrations since convening of the lame duck Congress that they keep their eyes constantly on the ball of left-wing legislation no matter how much the country, Congress, or the Administration is preoccupied with grave turns in the war or threats of new wars.

One of the most convincing of these demonstrations was the passage a week ago, almost unnoticed, of the Celler-Kefauver bill. This bill has been one of the prime legislative projects of "liberals" for the last several years, and its passage was entirely unexpected up until a few days before the Senate, tired, preoccupied, worried, and hardly knowing what it was doing, approved this bill.

Under the Celler-Kefauver bill the acquisition by one company of the assets of another may be prohibited by the Federal Trade Commission. Under present law, the acquisition of formal equity control of one company by another may be banned by the FTC, always crying for new worlds to conquer, whenever the acquisition threatens "to substantially lessen competition."

Earlier in the 81st Congress the House also passed a similar version of the bill, with many conservatives believing it would die a "natural death" in a Senate Committee pigeon-hole.

With war production altering the whole face of the economy, the demand of officials is likely to be directed toward a general waiver of the anti-trust laws to get things produced as quickly and as cheaply as possible. If the Celler-Kefauver bill hurdles a conference between the House and Senate in time to be enacted this month, then it will become law and will constitute another stumbling block to the quick mobilization of industry for war production.

That the law might have to be waived for the duration is something, however, which worries the left-wingers not one whit. They are long-range in their planning, and look forward to the day when every conceivable form of business expansion must be filtered through and first be approved by government officials.

One of the more remarkable examples of left-wing tenacity was the Senate passage, only Monday of the week of the switchmen's "sickness absenteeism," of the bill to compel the dues check-off and virtually 100% union membership in employment for the railroads.

This bill is a specific and direct turn-around from the Railway Labor Act, which, on the one hand, prohibited railroads from influencing their employees on the question of union membership, and, on the other hand, prohibited railroads from refusing an individual employment because he did not belong to a union. A proposed amendment to preserve the provisions of state laws, and even state constitutional provisions against compulsory union membership, was specifically voted down.

It is the view of competent observers that this bill would not have come up if the attention of nearly every one was not directed to the grave events of the war. The House has not passed this legislation, will not pass it this year.

The third item on the "liberal agenda" is the expansion of unemployment compensation. A Ways and Means subcommittee headed by Rep. Aime J. Forand (D., R. I.) has been conducting hearings on this subject with the brutally frank understanding that they have no chance of getting legislation passed during the lame duck session. Their idea, frankly, is to promote the build-up of the project for 1951 if possible, or if not then, the first time in the decade they can get somewhere.

The ambitions of the Administration and the left-wing for "expansion," as it is called, of unemployment compensation, are broad. Among other things, they would "improve the financing" of UC by a system of "re-insurance." In other words, they would provide that Uncle Sam's general taxpayers should bail out state systems. Then, too, states would be required to adopt new "minimum compensation" provisions, to the effect of which would be to standardize the proposition on a Federal level. Ultimate federalization of UC is probably the real but unadmitted objective of the left-wingers.

* * *

Something of a major precedent was established when the Senate Banking subcommittee on the Reconstruction Finance Corporation refused, but without formal public announcement, to take "any action" on President Truman's five nominees for the RFC Board.

In effect, this is the second time in one year that the appropriate committee has simply refused to confirm an entire slate of directors for a major government corporation. When the five members were first nominated in August, the Senate Banking Committee also "took no action" on the nominations.

Avoiding the complications of procedure, the precise fact is that the entire Banking Committee has twice turned down Mr. Truman's slate of nominees, and twice without any formal action or explanation of its reasons therefore.

In September, the subcommittee held several super-secret meetings to discuss the qualifications of Mr. Truman's nominees. After these secret meetings, the Committee decided to bury the nominations. It was widely reported and not challenged afterward that the Administration was given the word that the Committee did not want these men named a second time.

Meanwhile, the Congress recessed for the election. With an opinion from the Attorney General that the period between the September recess and Nov. 27 was the same as an adjournment between two sessions, the White House gave "recess appointments" to the three of the five on the Board who were new nominees. The original idea was to avoid resubmission of the names of the members of the Board for confirmation prior to the 82nd Congress.

Subsequently, the White House changed its mind and resubmitted the nominations. It is the second time they were submitted, and the second time the nominees were in effect rejected, again after private discussions from which reporters were barred.

Nevertheless, the Banking Committee did not officially reject the nominees. To do so would have required public hearings. Public hearings were something which, during wartime, the Committee apparently did not want, together with resulting official debate in the Senate on a formal adverse report on the nominees.

Just why this unprecedented action was taken without official explanation of any character, is something which, if ever, will probably not be reported until in some future change in party power, an investigative committee starts operating.

* * *

The proposed relaxation of Regulation X, the control over home mortgage credit, is coming as a result of a recognition by Presidential aides that additional housing will have to be constructed in "defense areas," or particularly in areas where war production zooms and employment, and hence housing is not adequate for the imported labor force.

The first step will be the reactivation of the old wartime and postwar Federal Housing Administration "Title VI" under which, in effect, the entire cost of defense housing is insured or underwritten by the government, in case of multi-family units.

Next will come hundreds of millions for direct Federal housing, temporary and permanent, in defense areas.

Third will come the relaxation of Regulation X, so as to permit financing of individual houses at cost with a government guarantee.

Regulation X eventually will disappear into an era of government-financed housing, BUT housing for individuals as such, except where it is "necessary to defense," will be held down. Eventually materials regulation will join with credit regulations to make sure that very little housing is built except when and where the government says it is necessary.

(This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.)

BUSINESS BUZZ

"I should think you'd be happy to know your credit is so good!"

With Bache & Co.

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis. — Paul D. Brown is with Bache & Co., 229 East Wisconsin Avenue.